

Section 6.5 - Insurance:

6.5.1 The Lessee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies including a fire legal liability endorsement for the protection of the Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance limits of not less than (\$5,000,000) combined single limit.

6.5.2 All insurance shall name the Port, its commissioners, offices, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.5.3 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 (thirty) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.

6.5.4 The Port shall have the right to review the coverage and limits of insurance required herein from time to time. In the event the Port determines that such limits should be modified, the Port will provide

30 days notice to the Lessee of such determination and the Lessee shall, if the coverage is expanded and/or limits are increased, modify its coverage to comply with the new limits and provide the Port with an updated certificate.

Section 6.6 - Waiver of Subrogation: The Port and the Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, to the extent that such loss is covered by the provision of the Lessee's property damage policy or policies.

ARTICLE VII. - TERMINATION

Section 7.1 - Termination by the Port: The Port shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.2 - Termination by Lessee: The Lessee shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.3 - Duties on Termination: Upon termination of the Lease for any reason, the Lessee shall deliver all keys to the Port and surrender the Premises and Improvements in good condition. Alterations including but not limited to electrical systems, constructed by the Lessee with permission from the Port shall not be removed, unless the terms of permission for the alteration so require, but shall be restored to the

original condition. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender.

Section 7.4 - Title to Improvements: Subject to the provisions of Section 7.5, upon termination of this Lease by the passage of time or for any reason, the Port shall have the option to either require removal of any or all Improvements constructed by the Lessee, pursuant to Section 4.1, within 90 days after the expiration of the Lease at the Lessee's expense or shall have the option to take title to any or all such structures, installations, and Improvements.

Section 7.5 - Fixtures:

7.5.1 Upon termination of this Lease for any reason, any or all fixtures placed upon the Premises during the Lease Term, or any extension thereof, other than the Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the Premises by the Lessee. At or before the termination of this Lease, Lessee, at its expense, shall remove from the Premises any or all of Lessee's fixtures or personal property which the Port has required Lessee to remove under the terms of this Lease, and shall repair any damage to the Premises resulting from the installation or removal of such fixtures or personal property. Any items

of Lessee's fixtures or personal property which remain on the Premises after the termination of this Lease in violation of this Section 7.5 may, at the option of the Port, be deemed abandoned. The Port shall have the option, in its sole discretion, of (a) retaining any or all of such abandoned property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

7.5.2 The time for removal of any property or fixtures which the Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the date the Lease terminates as provided herein; or (2) within 30 days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 7.6 - Environmental Audit: The Port may, at or near the expiration of this Lease by time or other termination require the Lessee to conduct, at its cost, an environmental audit of the Premises acceptable to the Port to determine if any environmental contamination as defined by then-applicable Environmental Law exists on the Premises. The Port shall have the right to approve the audit procedures and the company or individual conducting said audit and shall be given an original copy of the results. Lessee shall provide to the Port a supplemental up-date report as of the last day of the Lease Term. The Lessee shall promptly

remedy any contamination revealed by such audit in accordance with the then applicable Environmental Law prior to the expiration of the Lease Term. Lessee, upon termination of the Lease for any reason other than expiration of time, shall conduct the environmental audit as required by this Section. The Port, if necessary, will grant Lessee a Permit of Entry for such purpose. In the event the Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge the Lessee all such costs. The Lessee agrees to pay to Port such costs within 30 days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port as provided herein, at law, or by equity.

7.6.1 If the Lessee does not conduct said audit as required herein, the Port may, at its sole option, complete said audit at the Lessee's expense. Until said audit and any remedial actions as required to restore the Premises to an acceptable condition are completed, the Lessee shall not be released from any liability for such costs.

ARTICLE VIII. - DEFAULT

Section 8.1 - Events of Default: The following shall be events of default:

8.1.1 Default in Rent: Failure of the Lessee to pay any rent or other charge as provided herein within 10 days after it is due.

8.1.2 Default in Other Covenants: Failure of the Lessee to comply with any term or condition or fulfill any obligation of the Lease

(other than the payment of rent or other charges) within 30 days after written notice by the Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 30 day period, this provision shall be complied with if the Lessee begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

8.1.3 Insolvency: To the extent permitted by the United States Bankruptcy Code, insolvency of the Lessee; an assignment by the Lessee for the benefit of creditors; the filing by the Lessee of a voluntary petition in bankruptcy; an adjudication that the Lessee is bankrupt or the appointment of a receiver of the properties of the Lessee and the receiver is not discharged within 30 days; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 (thirty) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within 10 days.

8.1.4 Abandonment: Failure of the Lessee for 30 days or more to occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 8.2 - Remedies on Default:

8.2.1 In the event of a default under the provisions of Section 8.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such

default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance. No termination of this Lease pursuant to this Section 8.2 shall relieve Lessee of its liabilities and obligations under this Lease, and any damages shall survive any such termination.

8.2.2 If Lessee fails to perform any of its obligations under this Lease, the Port, without waiving any other remedies for such failure, may (but shall not be obligated to) perform such obligation for the account and at the expense of the Lessee, without notice in a case of emergency, and in any other case if such failure continues for 15 days after written notice from the Port specifying the nature of the failure. As used herein, "emergency" shall mean any activity, cause or effect under the control or direction of the Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety or general welfare of persons or property. The Port shall not be liable to Lessee for any claim for damage resulting from any such action by the Port. Lessee agrees to reimburse the Port upon demand for any expenses incurred by Lessor pursuant to this Lease together with interest thereon from the date of payment at the Port's then current interest rate.

8.2.3 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may be brought by landlord, from time to time, at landlord's election, and nothing in this Lease will be deemed to require landlord to await the date on which the Lease Term expires. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity or by statute or otherwise,

including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by landlord of any such rights or remedies will not preclude the simultaneous or later exercise by landlord of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE IX. - GENERAL PROVISIONS

Section 9.1 - Assignment and Sublease:

9.1.1 This Lease is personal to the Lessor and the Lessee. Except as provided herein, no part of the Premises nor any interest in this Lease may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the Premises be conveyed or conferred on any third person by any other means, without the prior written consent of the Port. Any assignment or attempted assignment without the Port's prior written consent shall be void. This provision shall apply to all transfers by operation of law. If the Lessee is a corporation, this provision shall apply to any sale of a controlling interest in the stock of the corporation.

9.1.2 Consent in one instance shall not prevent this provision from applying to a subsequent instance.

9.1.3 Other than the subleases for which the Port has given written consent concurrently with this Lease, in determining whether to consent to sublease, the Port may consider any factor, including the following factors: financial ability; business experience; intended use.

Section 9.2 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision. All waivers shall be in writing. The Port's acceptance of a late payment of rent does not waive any preceding or subsequent default other than the failure to pay the particular sum accepted.

Section 9.3 - Attorney's Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 9.4 - Law of Oregon: This Lease shall be governed by the laws of the State of Oregon. If a court of competent jurisdiction declares this Lease to be a public contract under ORS Chapter 279, then the parties agree that the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein.

Section 9.5 - Adherence to Law: The Lessee shall adhere to all applicable Federal, State, and local laws, rules, regulations, and ordinances, including but not limited to (1) laws governing its relationship with its employees, including but not limited to laws, rules, regulations, and policies concerning Worker's Compensation, and minimum

and prevailing wage requirements; (2) laws, rules, regulations and policies relative to occupational safety and health, (3) all federal, state, regional and local laws, regulations and ordinances protecting the environment, and (4) all laws and regulations regarding the handling and disposal of Hazardous Substances.

9.5.1 Lessee shall not use or allow the use of the Premises or any part thereof for any unlawful purpose or in violation of any certificate of occupancy, any certificate of compliance, or of any other certificate, law, statute, ordinance, or regulation covering or affecting the use of the Premises or any part thereof. Lessee shall not permit any act to be done or any condition to exist on the Premises or any part thereof which may be hazardous, which may constitute a nuisance, or which may void or make voidable any policy of insurance in force with respect to the Premises.

9.5.2 The Lessee shall promptly provide to the Port copies of all notices or other communications between the Lessee and any governmental entity which relate to the Lessee's noncompliance or alleged noncompliance with any law, ordinance, regulation, condition, or other applicable requirement lawfully imposed by any agency, governmental body, or quasi-governmental body having jurisdiction over the Lessee's use of the Premises.

9.5.3 Lessee shall obtain, and promptly advise the Port of receipt of all federal, state, or local governmental approvals or permits required by law or regulation for any activity or construction that Lessee may undertake on the Premises. Lessee shall provide the Port with copies of all such approvals and permits received by Lessee.

Section 9.6 - No Light or Air Easement: The reduction or elimination of the Lessee's light, air, or view will not affect the Lessee's liability under this Lease, nor will it create any liability of the Port to the Lessee.

Section 9.7 - Time of Essence: Time is of the essence of each and every covenant and condition of this Lease.

Section 9.8 - Warranty of Authority: The individuals executing this agreement warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting herein.

Section 9.9 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.10 - Delinquency Charges: Lessee acknowledges that late payment by Lessee to the Port of any rent due hereunder will cause the Port to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Accordingly, if any rent is not received by the Port when it is due, Lessee shall pay to the Port a delinquency charge in accordance with Section 3.4. The parties hereby agree that such delinquency charge represents a fair and reasonable payment by Lessee. Acceptance of any delinquency charge by the Port shall in no event constitute a waiver of Lessee's default with respect to the overdue amount in question, nor prevent the Port from exercising any of the other rights and remedies granted hereunder.

Section 9.11 - Consent of Port:

9.11.1 Subject to the provisions of Section 9.1, whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received in writing from an authorized representative of The Port of Portland.

9.11.2 If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable, it being intended the Lessee's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases in which the Port has in fact acted unreasonably and has expressly agreed in writing not unreasonably to withhold its consent or may not unreasonably withhold its consent as a matter of law.

Section 9.12- Notices: All notices required under this Lease shall be deemed to be properly served if served personally or sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, or served personally at 5555 N. Channel Ave., Bldg. 50, Portland, Oregon, 97217, and to the Lessee at 5555 N. Channel Avenue, Building 4 Annex, Portland, OR 97217. Date of Service of such notice is date such notice is personally served or deposited in a post office of the United States Post Office Department, postage prepaid.

Section 9.13 - Modification: Any modification of the Lease shall be mutually agreed upon and reduced to writing and shall not be effective until signed by the parties hereto.

Section 9.14 - No Benefit to Third Parties: The Port and the Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

Section 9.15 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

Section 9.16 - Regulations: The Port may, from time to time, adopt and enforce rules and regulations with respect to the use of said Premises, and Lessee agrees to observe and obey such rules and regulations.

Section 9.17 - Partial Invalidity: If any provision of this Lease or the application thereof to any person or circumstance is at any time or to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not

be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 9.18 - Survival: All agreements (including, but not limited to, indemnification agreements) set forth in this Lease, the full performance of which are not required prior to the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease and be fully enforceable thereafter.

Section 9.19 - Entire Agreement: It is understood and agreed that this instrument contains the entire Agreement between the parties hereto. It is further understood and agreed by the Lessee that the Port and the Port's agents have made no representations or promises with respect to this Agreement or the making or entry into this Agreement, except as in this Agreement expressly set forth, and that no claim or liability or cause for termination shall be asserted by the lessee against the Port for, and the Port shall not be liable by reason of, the breach of any representations or promises not expressly stated in this Agreement, any other oral agreement with the Port being expressly waived by the Lessee.

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IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

Theodore K. Kinnear, Treasurer
By _____

By *[Signature]* _____

THE PORT OF PORTLAND

By *[Signature]*
EXECUTIVE DIRECTOR

By _____

APPROVED AS TO LEGAL SUFFICIENCY

[Signature]
Counsel for The Port of Portland

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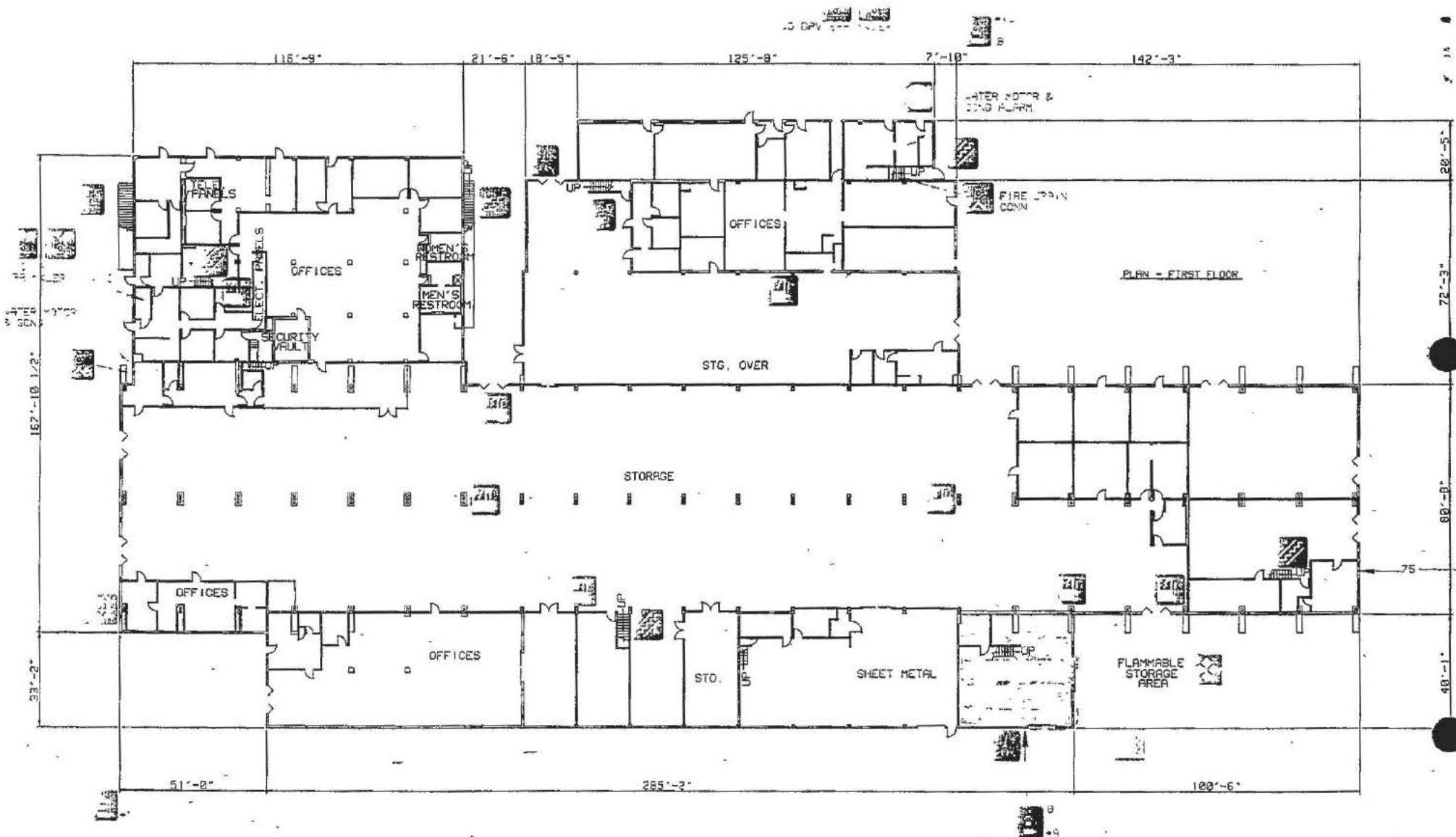


EXHIBIT A

Portland Ship Repair Yard
Building 10, ground floor

MONTH-TO-MONTH

LEASE OF IMPROVED SPACE BETWEEN

THE PORT OF PORTLAND

AND

WEST STATE, INC.

LEASE OF IMPROVED SPACE INDEX

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MONTH-TO-MONTH
LEASE OF IMPROVED SPACE

THIS LEASE, dated this 23rd day of January, 1991, is entered into by and between THE PORT OF PORTLAND, a port district of the State of Oregon (hereinafter referred to as "Port"), and WEST STATE, INC., a corporation organized under the laws of the State of Oregon (hereinafter referred to as "Lessee"), for lease of certain described Premises located at the Portland Ship Repair Yard, Swan Island ("PSRY").

RECITALS

WHEREAS, the Port desires to lease certain land and/or improvements located at Portland Ship Repair Yard to Lessee, said land and/or improvements being more particularly described below; and

WHEREAS, Lessee is desirous of leasing said land and/or improvements;

NOW, THEREFORE, in consideration of the above declarations, the parties have negotiated the following terms and conditions:

ARTICLE I. - AGREEMENT TO LEASE, DESCRIPTION OF PREMISES

Section 1.1 - Agreement to Lease: The Port hereby leases to Lessee, and Lessee leases from the Port on the terms and conditions stated herein, the Premises consisting of approximately 3200 square feet of upstairs

office space in Building 80 shown on Exhibit No A, attached hereto and made a part hereof, and any existing Improvements thereon, and appurtenances thereto, (hereinafter referred to as "Premises"). Also included under the terms of this Lease are 16 parking spaces located adjacent to Building 50. Upon construction or installation of any Improvements, additions, or changes to Improvements in, under, or upon the Premises (collectively "Improvements"), such Improvement(s) shall become a part of the Premises unless otherwise stated herein.

Section 1.2 - Use of Premises:

1.2.1 Lessee may use the Premises only for the following purpose(s): Offices and parking for Lessee's administrative staff.

1.2.2 No other use may be made of the Premises without the written approval of the Port. Except as a necessary and incidental use in conjunction with the use authorized for the Premises pursuant to Section 1.2.1 above, without limiting the foregoing restriction on use, no use may be made of, on, or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances as defined in Section 6.3 hereof. Under no circumstances shall any use be made of, or conduct occur on, the Premises which would cause the Premises, or any part thereof, to be deemed a hazardous waste treatment, storage, or disposal facility requiring a permit, interim status, or any other special authorization under any Environmental Law as defined in Section 6.3 hereof.

1.2.3 The Port shall have the option, but shall not be required to, request the Lessee to provide the Port with a list of all materials and activities which are or foreseeable will occur on the Premises which might constitute an environmental liability. Under no circumstances shall the Port be liable for failure to request or update said list.

1.2.4 In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premise which are generated by or from cleanup, removal, remediation, operations or activities from third party sources outside PSRY.

1.2.5 In no event shall the Lessee ever permanently or temporarily store the following product categories without the Port's prior written approval, except as specifically authorized by federal, state, or local Environmental Law or regulation:

1. PCBs, PCB contaminated materials, and spill residues containing PCBs.
2. Asbestos, asbestos-contaminated materials, and spill residues containing asbestos.
3. Radioactive materials (as defined by state, federal, and local regulations including but not limited to United States Department of Transportation (US D.O.T.) classifications, and restrictions as defined in OAR Chapter 333, Division 100-005 (51) or as defined by Oregon Health Division.

4. Explosive materials and flammable solids (US D.O.T. Classification).
5. Poison Gasses (Poison A, US D.O.T. classification).
6. Reactive materials (Defined by RCRA characteristic or reactivity).
7. Medical, biological, or infectious waste.

1.2.6 Lessee shall at all times exercise due care in connection with the handling of Hazardous Substances on the Premises and shall not cause or permit Hazardous Substances to be spilled, leaked, disposed of, treated, or otherwise released on the Premises.

1.2.7 Before commencing the use, generation, accumulation, storage, treatment, or other handling of Hazardous Substances on the Premises, Lessee shall provide the Port with copies of all necessary permits, authorizations and notices required by any Environmental Law as described in Section 6.3 herein, with respect to such activities. Lessee shall at all times comply with all Environmental Laws as defined in Section 6.3 herein, applicable to the Premises or to the Lessee's activities on the Premises.

1.2.8 The Lessee shall not in any manner deface or injure the Premises or any portion thereof; or overload the floors; or permit anything to be done upon the Premises which would cause an increase in the Fire Insurance rating to the Building; or commit any nuisance in or about the Premises; or to use or permit the use of the Premises for lodging or sleeping purposes.

Section 3.1 - Appurtenant Rights:

1.3.1 Lessee, its customers, agents, representatives, suppliers, and invitees and subcontractors authorized to be operating in the yard shall have the nonexclusive right to use the Common Areas, such right to be in common with others to whom the Port has granted or may grant such similar right. The term "Common Areas," as used herein, shall mean the roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, equipment and material storage areas, and any other areas where such areas have been designated by the Port as areas to be used by tenants of the Port or those having use agreements in common with other tenants and users of the Port.

1.3.2 The Port reserves the following rights with respect to the Common Areas:

1.3.2.1 To establish reasonable rules and regulations for the use of said Common Areas;

1.3.2.2 To use or permit the use of such Common Areas by others to whom the Port may grant or may have granted such rights in such manner as the Port may from time to time so grant;

1.3.2.3 To close all or any portion of the Common Areas to make repairs or changes, to prevent a dedication of the Common Areas or the accrual of any rights to any person or the public, or to discourage unpermitted use of the Common Areas;

1.3.2.4 To construct additional buildings to alter or remove buildings or other improvements in the Common Areas and to change the layout of such common Areas, including the right to add to or subtract from their shape and size;

1.3.2.5 To exercise any of the Port's governmental powers over the Common Areas.

ARTICLE II. - TERM

Section 2.1 - Term: This Lease shall commence on January 11, 1991, and continue month to month until terminated by either party upon thirty days' written notice or otherwise terminated under the provisions hereof.

ARTICLE III. - RENTAL

Section 3.1 - Basic Rent: The Lessee shall pay, in advance, to the Port as rent the sum of \$596.00 for the period from January 11, 1991,

through January 31, 1991, and \$2,192.00 per month for each month thereafter. The monthly rental shall include 16 parking spaces and the utilities discribed in Section 4.5.

Section 3.2 - Time and Place of Payments: Payments are due on the first day of each month and delinquent if not paid by the (10th) day of each month. In the event the Lease commences after the first day of a month, the Basic Rent for the first month shall be prorated based on the number of days in the first partial calendar month.

3.2.1 Payment shall be to the Port at The Port of Portland, Post Office Box 5095, Portland, Oregon 97208, or such other place as the Port may designate. All amounts not paid by the Lessee when due shall bear a delinquency charge at the rate of 18% per annum. The delinquency charge on overdue accounts is subject to periodic adjustment to reflect the Port's then current charge for overdue accounts.

Section 3.3 - Acceptance of Late Rent: The Port shall be entitled, at its sole and complete discretion, to either accept or reject a tender payment of Basic Rent or Additional Rent which is not paid when due. In the event the Port elects to accept a tender of payment of rent after the time when such payment was due, the Port may do so without thereby waiving any default based upon the failure of Lessee to make such payment when due and without waiving Lessee's continuing obligation to make such payments

when required under the terms of this Lease. Lessee hereby acknowledges that this constitutes a waiver by Lessee of any argument that by accepting a late payment of rent, the Port has waived any default which is based upon such late payment or has waived Lessee's continuing obligation to make such payments when and as required by the terms of this Lease.

ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Improvements/Alterations: The Lessee shall make no construction, alteration, or changes on or to the Premises without prior written consent of the Port. At least thirty days prior to any approved construction, alteration, or changes upon the Premises or Improvements, Lessee shall submit to the Port architectural and mechanical final plans and specifications, site-use plan, and architectural rendering thereof and shall not commence any construction until it has received the Port's written approval. All plans for construction, alteration, or changes shall be signed by an architect or engineer licensed in the State of Oregon. Should the Port fail to take action concerning the plans and/or specifications submitted to it within forty-five days, said plans and/or specifications shall be deemed approved.

4.1.1 No such work shall be undertaken until Lessee has procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations required with respect to the work. Procurement of such permits and authorizations shall be subsequent to lessee's obtaining Port approval pursuant to Section 4.1.

4.1.2 All work shall be performed in a good and workmanlike manner and, in the case of alterations or additions to existing Improvements, shall be of such quality and type that, when completed, the value and utility of the Improvements which were changed or altered shall be not less than the value and utility of such Improvements immediately before such change or alteration. All work shall be prosecuted with reasonable dispatch.

4.1.3 Thirty days after the completion of any work under this Section 4.1, Lessee shall deliver to the Port complete and fully detailed "AS-BUILT" drawings of the completed Improvements prepared by an architect licensed in the State of Oregon.

Section 4.2 - Maintenance: Except for the Port maintenance responsibilities provided in Section 5.1 herein, the Lessee shall keep and maintain the Premises and Improvements of any kind, which may be erected, installed, or made thereon by the Lessee or the Port, in good and substantial repair and condition and shall promptly make all necessary repairs thereto at Lessee's sole expense. Lessee shall be responsible at its own cost and expense for the maintenance of the interior of the Premises and Improvements including, but not limited to, plumbing fixtures, electric fixtures, heating and air conditioning units, flooring, partitions, walls, and ceilings. The Lessee shall provide at, the Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

Section 4.3 - Taxes: Unless exempt, the Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax-levying body upon the Premises or Improvements, upon any taxable interest by Lessee acquired in this Lease, or any taxable possessory right which Lessee may have in or to the Premise or the Improvements thereon by reason of its occupancy thereof, as well as all taxes on all taxable property, real or personal, owned by the Lessee in or about said Premises. Upon making such payments, the Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. The Lessee understands that Port property is exempt from property taxation until leased to a taxable entity. In the event the term of this Lease or any extension thereof shall end after June 30 of any year, the Lessee shall be responsible for payment of property taxes for the entire tax year without proration or, in the event of any change in property tax law, for any taxes due under such law.

Section 4.4 - Liens: The Lessee agrees to pay, when due, all sums of money that may become due for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Lessee's consent to be furnished to or for the Lessee in, upon, or about the Premises or Improvements, which may be secured by any mechanic's, materialsmen's, or other lien against the Premises or Improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes

due, provided that the Lessee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Lessee to procure a payment bond in the amount of the contested lien.

Section 4.5 - Utilities: The Lessee shall promptly pay any charges for telephone, and all other charges for utilities which may be furnished to the Premises or Improvements at the request of or for the benefit of Lessee, except for electricity and water and sanitary sewer which shall be provided by the Port. In no event shall the Lessee overload the electrical circuits from which the Lessee obtains current.

Section 4.6 - Advertisement Signs: Subject to the provisions hereof, the Lessee shall have the right to install or cause to be installed appropriate signs on the Premises to advertise the nature of its business. The cost for installation and operation of such signs shall be borne by the Lessee. The Lessee shall not erect, install, nor permit to be erected, installed or operated upon the Premises herein any sign or other advertising device without having first obtained the Port's written consent thereto as to size, construction, location, and general appearance and then all applicable governmental approvals. All such installations shall be in accordance with the Portland Ship Repair Yard Signing Standards as adopted by the Port from time to time.

Section 4.7 - Safety Requirements:

4.7.1 The Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. The Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of the Lessee pursuant to this Lease.

4.7.2 The Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

Section 4.8 - Access to Premises: Except as provided in Section 4.8.1, the Port shall at all times during ordinary business hours have the right to enter upon the Premises and Improvements for the purposes of: (1) inspecting the same; (2) confirming the performance by Lessee of its obligations under this Lease; (3) doing any other act which the Port may be obligated or have the right to perform under this Lease, or reasonably related thereto; and (4) for any other lawful purpose. Such inspections shall be made only at a mutually agreeable time to all parties except in cases of emergency or pursuant to Section 4.8.1.

4.8.1 Environmental Inspection: The Port reserves the right to inspect the Lessee's and Lessee's subtenants' management of Hazardous Substances, as defined in Section 6.3, on the Premises at any time and from time to time without notice to the Lessee or subtenant. If the Port at any time during the term of this Lease or any extension thereof has reason to believe that the Lessee or Lessee's subtenant(s) are managing Hazardous Substances in a manner that may allow contamination of any portion of the Premises, the Port may require the Lessee to furnish to the Port, at the Lessee's sole expense, an environmental audit or an environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting said audit and the audit procedures and shall be given an original copy of the results. Lessee shall cooperate with all such requests.

Section 4.9 - Hazardous Substances Spills and Releases: Lessee shall immediately notify the Port upon becoming aware of: (1) any leak, spill, release or disposal of a Hazardous Substance, as defined in Section 6.3, on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to the Lessee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations, or ordinances with respect to the Premises or activities on the Premises.

4.9.1 In the event of a leak, spill or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all emergency response necessary to contain, clean up and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a certification acceptable to the Port that all such contamination has been eliminated as required by federal, state, or local law or regulation.

ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES

Section 5.1 - Maintenance: Except for Lessee's maintenance

obligations as described in Section 4.2 and Lessee's obligations to repair damage caused by its activities on the Premises or its failure to act, the Port shall be responsible for maintenance of the exterior walls, doors, windows, and roof areas of the Premises, and maintenance of the exterior and interior electric, water and sewer lines. Any and all maintenance and repair work not specifically described herein as the responsibility of the Port shall be the responsibility of the Lessee.

Section 5.2 - Delivery:

5.2.1 Lessee shall have the right to possession of the Premises as of the date of the term hereof. Should the Port be unable to deliver possession of the Premises on the date fixed for commencement of the term, the Lessee shall owe no rent until notice from the Port tendering possession to the Lessee. The Port shall have no liability to the Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

5.2.2 In the event the Port shall permit the Lessee to occupy the Premises prior to the occupancy date herein set forth, such occupancy shall be subject to all the provisions of this Lease.

Section 5.3 - Port's Warranty of Ownership: The Port warrants that it is the owner of the land and building and has the right to lease said Premises under the terms of this Lease. Subject to the Lessee performing all obligations of this Lease, the Lessee's possession of the Premises

will not be disturbed by the Port or anyone lawfully claiming by, through or under the Port and the Port will defend the Lessee's right to quiet enjoyment of the Premises from disturbance by anyone lawfully claiming by, through or under the Port.

Section 5.4 - Condition of Premises: The Port makes no warranties or representations regarding the condition or available lawful uses of the Premises. The Lessee has inspected and accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to the Lessee for any loss, damage, injury, or costs caused by the condition or available lawful uses of the Premises.

ARTICLE VI. - LIABILITY, INDEMNITY, INSURANCE, DAMAGE AND DESTRUCTION

Section 6.1 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from the negligence of the Port. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore.

Section 6.2 - General Indemnity: The Port shall not in any event be liable for any injury to any person or damage to any property occurring on or about the Premises, unless such injury or damage results from the wilful acts or negligence of the Port. Lessee covenants and agrees to indemnify and hold harmless the Port, its commissioners, directors, officers, agents, and employees from and against any and all actual or potential liability, claims, demands, damages, expenses, fees (including attorneys' fees), fines, penalties, suits, proceedings, actions, and causes of action (collectively "costs") which may be imposed upon or incurred by the Port due to the acts or omissions of any person or entity whatsoever (excluding only the wilful acts or negligence of the Port), and which: (1) arise from or are in any way connected with Lessee's use, occupation, management or control of the Premises whether or not due to Lessee's wilful act or omission or negligence and whether or not occurring on the Premises; or (2) result from any breach, violation, or nonperformance by Lessee of any of its obligations under this Lease.

Section 6.3 - Hazardous Substances Indemnity: In addition to the indemnity provided in Section 6.2 above, the Lessee agrees to indemnify, save, and hold harmless the Port from and against all removal, remediation, containment and other costs caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials, contaminants, or Regulated Substances (collectively "Hazardous Substances") as those terms are defined by federal, state, or local law or regulation, including but not limited to, the Resource Conservation

and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. §9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. §2601, et. seq.); the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401, et. seq.); the Solid Waste Disposal Act (42 U.S.C. §3251, et. seq.); Marpol Regulations and all annexes thereto; 1985 Oregon Laws Chapter 733; and 1987 Oregon Laws Chapter 540, as the same may be amended from time to time, (collectively "Environmental Law"), which Hazardous Substances are on the Premises as a result of Lessee's acts or omissions, whether occurring prior to or during the term of this Lease. Such costs shall include but not be limited to: (a) claims of third parties, including governmental agencies, for damages, response costs, or other relief; (b) the cost, expense or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (c) the expense, including fees of attorneys, engineers, and experts, reporting the existence of said hazardous substances or contaminants to any agency of the State of Oregon or the United States as required by applicable laws or regulations; (d) any and all expenses or obligations, including attorneys' incurred at, before, and after any trial or appeal therefrom or any administrative

proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses, all of which shall be paid by Lessee promptly after the Port incurs the obligation to pay such amounts. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency. As used in Article VI, the word "Premises" shall be deemed to include the soil and water table thereof.

6.3.1 Promptly upon written notice from the Port or from any governmental entity, the Lessee shall remove from the Premises (including without limitation the soil or water table thereof) all Hazardous Substances whether in existence prior to the commencement date of this Lease or thereafter and shall restore the Premises to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations.

Section 6.4 - Duty to Defend: Lessee shall, at its sole expense, defend any and all actions, suits, and proceedings covered by the indemnity set forth in Sections 6.2 and 6.3 which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

Section 6.5 - Insurance:

6.5.1 The Lessee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies including a fire legal liability endorsement for the protection of the Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance limits of not less than (\$5,000,000) combined single limit for bodily injury and property damage for Premises/products/completed operations liability.

6.5.2 Lessee shall maintain in force Workers' Compensation insurance, including coverage for Employer's Liability and, if applicable, The Longshoremen's and Harbor Workers' Compensation Act.

6.5.3 All insurance shall name the Port, its commissioners, offices, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.5.4 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 (thirty) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.

6.5.5 The Port shall have the right to review the coverage and limits of insurance required herein from time to time. In the event the Port determines that such limits should be modified, the Port will provide 30 days notice to the Lessee of such determination and the Lessee shall, if the coverage is expanded and/or limits are increased, modify its coverage to comply with the new limits and provide the Port with an updated certificate.

Section 6.6 - Waiver of Subrogation: The Port and the Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, to the extent that such loss is covered by the provision of the other's property damage policy or policies.

ARTICLE VII. - TERMINATION

Section 7.1 - Termination by the Port: The Port shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.2 - Termination by Lessee: The Lessee shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.3 - Duties on Termination: Upon termination of the Lease for any reason, the Lessee shall deliver all keys to the Port and

surrender the Premises and Improvements in good condition. Alterations including but not limited to electrical systems, constructed by the Lessee with permission from the Port shall not be removed, unless the terms of permission for the alteration so require, but shall be restored to the original condition. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender.

Section 7.4 - Title to Improvements: Subject to the provisions of Section 7.5, upon termination of this Lease by the passage of time or for any reason, the Port shall have the option to either require removal of any or all Improvements constructed by the Lessee, pursuant to Section 4.1, within 90 days after the expiration of the Lease at the Lessee's expense or shall have the option to take title to any or all such structures, installations, and Improvements.

Section 7.5 - Fixtures:

7.5.1 Upon termination of this Lease for any reason, any or all fixtures placed upon the Premises during the Lease Term, or any extension thereof, other than the Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the Premises by the Lessee. At or

before the termination of this Lease, Lessee, at its expense, shall remove from the Premises any or all of Lessee's fixtures or personal property which the Port has required Lessee to remove under the terms of this Lease, and shall repair any damage to the Premises resulting from the installation or removal of such fixtures or personal property. Any items of Lessee's fixtures or personal property which remain on the Premises after the termination of this Lease in violation of this Section 7.5 may, at the option of the Port, be deemed abandoned. The Port shall have the option, in its sole discretion, of (a) retaining any or all of such abandoned property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

7.5.2 The time for removal of any property or fixtures which the Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the date the Lease terminates as provided herein; or (2) within 30 days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 7.6 - Environmental Audit: Upon reasonable cause and written notice, the Port may, at or near the expiration of this Lease by time or other termination, require the Lessee to conduct, at its cost, an

environmental audit of the Premises acceptable to the Port to determine if any environmental contamination as defined by then-applicable Environmental Law exists on the Premises. The Port shall have the right to approve the audit procedures and the company or individual conducting said audit and shall be given an original copy of the results. Lessee shall provide to the Port a supplemental up-date report as of the last day of the Lease Term. The Lessee shall promptly remedy any contamination revealed by such audit in accordance with the then applicable Environmental Law prior to the expiration of the Lease Term. The Port, if necessary, will grant Lessee a Permit of Entry for such purpose. In the event the Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge the Lessee all such costs. The Lessee agrees to pay to Port such costs within 30 days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port as provided herein, at law, or by equity.

7.6.1 If the Lessee does not conduct said audit as required herein, the Port may, at its sole option, complete said audit at the Lessee's expense. Until said audit and any remedial actions as required to restore the Premises to an acceptable condition are completed, the Lessee shall not be released from any liability for such costs.

ARTICLE VIII. - DEFAULT

Section 8.1 - Events of Default: The following shall be events of default:

8.1.1 Default in Rent: Failure of the Lessee to pay any rent or other charge as provided herein within 10 days after it is due.

8.1.2 Default in Other Covenants: Failure of the Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within 30 days after written notice by the Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 30 day period, this provision shall be complied with if the Lessee begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

8.1.3 Insolvency: To the extent permitted by the United States Bankruptcy Code, insolvency of the Lessee; an assignment by the Lessee for the benefit of creditors; the filing by the Lessee of a voluntary petition in bankruptcy; an adjudication that the Lessee is bankrupt or the appointment of a receiver of the properties of the Lessee and the receiver is not discharged within 30 days; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 (thirty) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within 10 days.

8.1.4 Failure to Occupy: Failure of the Lessee for 30 days or more to occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 8.2 - Remedies on Default:

8.2.1 In the event of a default under the provisions of Section 8.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance. No termination of this Lease pursuant to this Section 8.2 shall relieve Lessee of its liabilities and obligations under this Lease, and any damages shall survive any such termination.

8.2.2 If Lessee fails to perform any of its obligations under this Lease, the Port, without waiving any other remedies for such failure, may (but shall not be obligated to) perform such obligation for the account and at the expense of the Lessee, without notice in a case of emergency, and in any other case if such failure continues for 15 days after written notice from the Port specifying the nature of the failure. As used herein, "emergency" shall mean any activity, cause or effect under the control or direction of the Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety or general welfare of persons or property. The Port shall not be liable to Lessee for any claim for damage resulting from any such action by the Port. Lessee

agrees to reimburse the Port upon demand for any expenses incurred by Lessor pursuant to this Lease together with interest thereon from the date of payment at the Port's then current interest rate.

8.2.3 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may be brought by landlord, from time to time, at landlord's election, and nothing in this Lease will be deemed to require landlord to await the date on which the Lease Term expires. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity or by statute or otherwise, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by landlord of any such rights or remedies will not preclude the simultaneous or later exercise by landlord of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE IX. - GENERAL PROVISIONS

Section 9.1 - Assignment and Sublease:

9.1.1 This Lease is personal to the Lessor and the Lessee. Except as provided herein, as to the Federal Government vis-a-vis the USNS OBSERVATION ISLAND, no part of the Premises nor any interest in this Lease may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the Premises be conveyed or conferred on any third person by any other means, without the prior written consent of the Port. Any assignment or attempted assignment without the Port's prior written

consent shall be void. This provision shall apply to all transfers by operation of law. If the Lessee is a corporation, this provision shall apply to any sale of a controlling interest in the stock of the corporation.

9.1.2 Consent in one instance shall not prevent this provision from applying to a subsequent instance.

9.1.3 Other than the subleases for which the Port has given written consent concurrently with this Lease, in determining whether to consent to sublease, the Port may consider any factor, including the following factors: financial ability; business experience; intended use.

Section 9.2 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision. All waivers shall be in writing. The Port's acceptance of a late payment of rent does not waive any preceding or subsequent default other than the failure to pay the particular sum accepted.

Section 9.3 - Attorney's Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 9.4 - Law of Oregon: This Lease shall be governed by the laws of the State of Oregon. If a court of competent jurisdiction declares this Lease to be a public contract under ORS Chapter 279, then the parties agree that the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein.

Section 9.5 - Adherence to Law: The Lessee shall adhere to all applicable Federal, State, and local laws, rules, regulations, and ordinances, including but not limited to (1) laws governing its relationship with its employees, including but not limited to laws, rules, regulations, and policies concerning Worker's Compensation, and minimum and prevailing wage requirements; (2) laws, rules, regulations and policies relative to occupational safety and health, (3) all federal, state, regional and local laws, regulations and ordinances protecting the environment, and (4) all laws and regulations regarding the handling and disposal of Hazardous Substances.

9.5.1 Lessee shall not use or allow the use of the Premises or any part thereof for any unlawful purpose or in violation of any certificate of occupancy, any certificate of compliance, or of any other certificate, law, statute, ordinance, or regulation covering or affecting the use of the Premises or any part thereof. Lessee shall not permit any act to be done or any condition to exist on the Premises or any part thereof which may be hazardous, which may constitute a nuisance, or which may void or make voidable any policy of insurance in force with respect to the Premises.

9.5.2 The Lessee shall promptly provide to the Port copies of all notices or other communications between the Lessee and any governmental entity which relate to the Lessee's noncompliance or alleged noncompliance with any law, ordinance, regulation, condition, or other applicable requirement lawfully imposed by any agency, governmental body, or quasi-governmental body having jurisdiction over the Lessee's use of the Premises.

9.5.3 Lessee shall obtain, and promptly advise the Port of receipt of all federal, state, or local governmental approvals or permits required by law or regulation for any activity or construction that Lessee may undertake on the Premises. Lessee shall provide the Port with copies of all such approvals and permits received by Lessee.

Section 9.6 - Time of Essence: Time is of the essence of each and every covenant and condition of this Lease.

Section 9.7 - Warranty of Authority: The individuals executing this agreement warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting herein.

Section 9.8 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.10 - Consent of Port:

9.9.1 Subject to the provisions of Section 9.1, whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received in writing from an authorized representative of The Port of Portland.

9.9.2 If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable, it being intended the Lessee's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases in which the Port has in fact acted unreasonably and has expressly agreed in writing not unreasonably to withhold its consent or may not unreasonably withhold its consent as a matter of law.

Section 9.10 - Notices: All notices required under this Lease shall be deemed to be properly served if served personally or sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, or served personally at 5555 N. Channel Ave., Bldg. 50, Portland, Oregon, 97217, and to the Lessee at 5555 N. Channel Avenue, Bldg 72, Portland, OR 97217. Date of Service of such notice is date such notice is personally served or deposited in a post office of the United States Post Office Department, postage prepaid.

Section 9.11 - Modification: Any modification of the Lease shall be mutually agreed upon and reduced to writing and shall not be effective until signed by the parties hereto.

Section 9.12 - No Benefit to Third Parties: The Port and the Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

Section 9.13 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

Section 9.14 - Regulations: The Port may, from time to time, adopt and enforce rules and regulations with respect to the use of said Premises, and Lessee agrees to observe and obey such rules and regulations.

Section 9.15 - Partial Invalidity: If any provision of this Lease or the application thereof to any person or circumstance is at any time or to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not

be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 9.16 - Survival: All agreements (including, but not limited to, indemnification agreements) set forth in this Lease, the full performance of which are not required prior to the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease and be fully enforceable thereafter.

Section 9.17 - Entire Agreement: It is understood and agreed that this instrument contains the entire Agreement between the parties hereto. It is further understood and agreed by the Lessee that the Port and the Port's agents have made no representations or promises with respect to this Agreement or the making or entry into this Agreement, except as in this Agreement expressly set forth, and that no claim or liability or cause for termination shall be asserted by the lessee against the Port for, and the Port shall not be liable by reason of, the breach of any representations or promises not expressly stated in this Agreement, any other oral agreement with the Port being expressly waived by the Lessee.

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IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

By Russell House

By _____

THE PORT OF PORTLAND

By [Signature]
EXECUTIVE DIRECTOR

By _____

APPROVED AS TO LEGAL SUFFICIENCY

[Signature]
Counsel for The Port of Portland

WSI-80
01/15/91

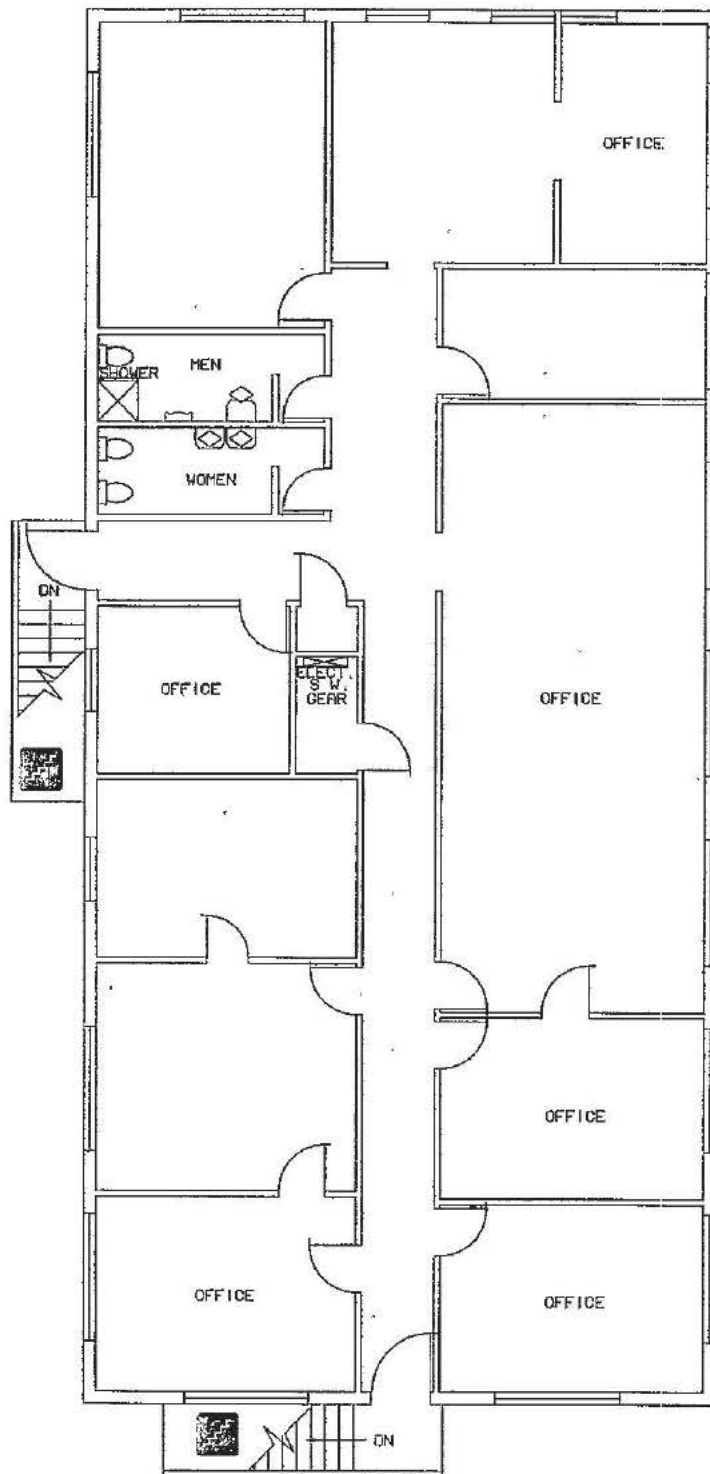
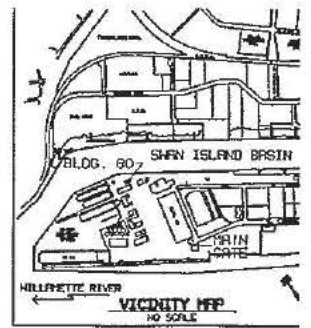


EXHIBIT A

AS CONST.
B. DETHLEFS
D. MARLOW
MAR., 1989
1/8" = 1'-0"

PORTLAND SHIP REPAIR YARD
Building 80, upstairs office

SUPERVISOR, CAD SERVICES

"FRPBLDG80"

PSY100001722

COPY

COMPLIANCE AGREEMENT

1. NAME AND MAILING ADDRESS OF PERSON OR FIRM Port of Portland Box 3529 Portland, Oregon 97208	2. LOCATION Portland Ship Repair Yard Swan Island Portland, Oregon
3. REGULATED ARTICLE(S) Regulated Garbage as defined in 7CFR 300.100 or CFR 94.5	
4. APPLICABLE FEDERAL QUARANTINE(S) OR REGULATIONS Title 7 CFR 330.400 Title 9 CFR 94.5	
5. I/We agree to the following:	

Regulated Garbage

I. Regulated garbage will be sterilized in the Port of Portland's Swan Island sterilizer and contracted for landfill burial without diversion. The area around garbage sterilizers, compactors, and/or dumpsters shall be kept clean and free of loose garbage. Compactor and dumpster leakage shall be contained in a manner acceptable to PPQ. Conspicuously post regulated handling procedures in the work area in English and other appropriate languages.

II. Processed material is disposed at the Saint Johns Landfill landfill located at 9363 North Columbia Blvd., Portland, Oregon

7. SIGNATURE <i>James M. Dorrance</i>	8. TITLE Operations Manager	9. DATE SIGNED 8/1/89
The affixing of the signatures below will validate this agreement which shall remain in effect until cancelled, but may be revised as necessary or revoked for noncompliance.		10. AGREEMENT NO. 03-89
		11. DATE OF AGREEMENT 8/7/89
12. PPQ OFFICIAL (Name and Title) Gary G. Smith, Officer in Charge	13. ADDRESS USDA, APHIS, PPQ 511 N.W. Broadway, Room 637 Portland, Oregon 97209	
14. SIGNATURE <i>Gary G. Smith</i>		
15. STATE AGENCY OFFICIAL (Name and Title)	16. ADDRESS	
17. SIGNATURE		

Regulated Garbage Compliance Agreement No.03-89, Port of Portland

III. Equipment for Steam Sterilization

A. Must be capable of heating regulated garbage to a minimum internal temperature of 212 oF, and maintaining that temperature for at least 30 minutes.

B. Cooking equipment shall have a time/temperature recording device.

C. Time /temperature record (chart) for each batch processed shall be initialed and dated by the operator. It will be retained by establishment for at least 6 months and be available for review by PPQ Officers.

D. A thermocouple probe will be used initially and twice each year to verify accuracy of recording device/heating cycle to assure that regulated garbage is heated to a minimum internal temperature of 212 oF and held at that temperature for at least 30 minutes.

IV. Storage

A. Must be in an enclosed area.

B. Spillage must be removed and area cleaned and disinfected in a manner approved by PPQ.

C. Any material in contact with untreated regulated garbage must also be processed as regulated garbage.

V. Log

A log must be maintained including the source (name), date, and quantity of the garbage processed.

VI. Training

A. The training program shall be presented to all employees before they are permitted to handle or supervise the handling of regulated garbage.

B. The training must be approved by the local PPQ Officer in Charge.

Regulated Garbage Compliance Agreement No.03-89, Port of Portland

(VI. Training, continued)

C. The training must:

1. Define regulated garbage;
2. Explain garbage regulations and their purpose;
3. Include film, slides, or other training aids on foreign animal/plant pests and diseases;
4. Specifically outline step-by-step handling procedures for this establishment; and
5. Be presented in English or other appropriate languages.

VII. Backup System

In the event the primary garbage disposal system is inoperable, the local PPQ-APHIS-USDA office must be notified in advance as to use of the following prearranged approved backup system:

Port of Portland International Airport Sterilizer.

NOTICE

This agreement may be immediately cancelled or revoked for noncompliance. Violation of these Federal regulations can result in a criminal penalty of up to a \$5,000 fine, a year in jail, or both, or a civil penalty and a fine of up to \$1,000 per violation.

By signing this agreement, the signer certifies that this facility has met or will meet prior to handling APHIS regulated garbage, the requirements of all other applicable environmental authorities.

HAULERS

1. LIST OF HAULERS WHO HAVE RESPONDED TO PORT'S REQUEST FOR HAULERS

Only Crosby and Overton (Chempro) plans to use the Port's Autoclave. The other haulers have their own incinerators or sterilizers.

2. A COPY OF CROSBY AND OVERTON'S COMPLIANCE AGREEMENT

LIST OF HAULERS FOR
MARPOLE V COMPLIANCE

Garbage

✓ (Oregon & Washington)
Hubert Willer
Crosby & Overton
5420 N. Lagoon
Portland OR 97217
503-283-1150

Stephen Yocum
Medical Waste Systems of Oregon
10700 S.W. Beaverton-Hillsdale
Hwy.
Beaverton, OR 97005
503-643-2685

(Oregon)
(b) (6)
P.O. Box 1002
Clackamas, OR 97015

*(Washington)
Waste Control Inc.
Attn.: Stan Willis
Box 148
Kelso, WA 98626

Mark Reitner
Vancouver Sanitary
P.O. Box 4698
Vancouver, WA 98662-0698
206-892-5370

✓ Hazardous Materials

Crosby & Overton
5420 N. Lagoon
Portland OR 97217
503-283-1150

Medical Waste

American Environmental Management
Corp.
406 Market Street
Kirkland, WA 98033
206-827-2882

Medical Waste Systems of Oregon
10700 S.W. Beaverton-Hillsdale
Hwy.
Beaverton, OR 97005
503-643-2685

SEP 13 1989
COPY

COMPLIANCE AGREEMENT

1. NAME AND MAILING ADDRESS OF PERSON OR FIRM Crosby & Overton, Inc. Crosby & Overton, Inc. 5420 N. Lagoon Portland, Oregon 97217		2. LOCATION Portland, Oregon (503) 283-1150 (503) 289-5749
3. REGULATED ARTICLE(S) Regulated Garbage		
4. APPLICABLE FEDERAL QUARANTINE(S) OR REGULATIONS Title 7 CFR 330.400 Title 9 CFR 94.5		
5. I/We agree to the following: I. Handling Procedures: A. (✓) The cartage firm transports regulated garbage directly to a central place for further compacting and then directly to an approved disposal facility. (✓) The cartage firm manipulates, handles, or stores regulated garbage in a manner approved by the local PPQ office and in a designated area before disposal. (Storage of regulated garbage in plastic bags <u>must be inside a closed building</u> ; if outside, must be in sealed plastic bags in a container with a tight-fitting lid.) (✓) The cartage firm transports regulated garbage directly from the vessel to the disposal facility in closed, leakproof containers without diversion.		
7. SIGNATURE Hubert Willer	8. TITLE Project Manager	9. DATE SIGNED 9/11/89
The affixing of the signatures below will validate this agreement which shall remain in effect until cancelled, but may be revised as necessary or revoked for noncompliance.		10. AGREEMENT NO. 05-89
12. PPQ OFFICIAL (Name and Title) Acting for Gary G. Smith, Officer in Charge		11. DATE OF AGREEMENT 9/11/89
14. SIGNATURE <i>[Signature]</i>	13. ADDRESS USDA, APHIS, PPQ 657 Federal Building 511 N.W. Broadway Portland, Oregon 97209	
15. STATE/AGENCY OFFICIAL (Name and Title) <i>[Signature]</i>	16. ADDRESS /	
17. SIGNATURE		

300 1 1989
COPY

2

Regulated Garbage Compliance Agreement No. 05-89: Crosby & Overton

- B. Garbage is to be placed in individual small leakproof containers and securely closed. These containers must then be placed in a shipping or handling container that is also leakproof. This second container must be such that it is easily identified as regulated garbage, e.g. red colored lined, closed-top drums, conspicuous printing in letters 2-4 inches in height or prominently tagged using at least a 3 X 5 inch tag with 1 inch minimum height printing. The container should be discarded as a portion of the garbage or cleaned and disinfected prior to leaving the disposal site.
- C. Garbage must be transported in a tightly covered, rigid, leakproof carrier that is secured by seal, lock or similar device when transported through rural areas. A canvas or tarp-type covering is not acceptable.
- D. Routing of the transporting vehicle should be direct and/or expedient.
- E. The cartage firm will maintain a log which will include the approved vessel name, date, number, type, and approximate weight of containers transported. This log will be maintained for a period of one year and made available to PPQ upon request.
- F. The cartage firm is responsible for providing personnel and chemicals to effectively maintain control of regulated materials in the event of a spill or other emergency. An adequate supply of approved chemicals must be available on each carrier vehicle to accomplish proper cleaning and disinfection of spillage. PPQ will be notified of any spillage. Cleaning and disinfecting will be accomplished immediately: Sodium carbonate or 1-Stroke environs are approved disinfectants.
- G. The cartage firm will be responsible for all foreign food waste in its possession and will not permit misappropriation of any food items.
- H. Any truck/container to be used for a purpose other than hauling foreign garbage must have markings obliterated and be cleaned and disinfected under PPQ supervision prior to such use.
- I. All regulated garbage is to be kept completely separate from domestic garbage.

PSY100001729

COPY

3

Regulated Garbage Compliance Agreement No. 05-89: Crosby & Overton

(Handling Procedures, continued)

- J. All regulated garbage will be sterilized at the Port of Portland's Swan Island steam sterilizer or the Port of Portland International Airport steam sterilizer.
- K. Storage: Regulated garbage materials, properly containerized and identified, may be stored for a period not to exceed 4 days prior to transporting, provided such material is placed in an enclosed, covered, leakproof, rodent- and bird-proof container or room or confined area, capable of being locked and preferably under refrigeration.

II. Training

- A. The cartage firm shall present a training program to all employees before they are permitted to handle or supervise the handling of regulated garbage. All employees must attend a refresher training course at least annually.
- B. The training must be approved by the local PPQ officer in charge.
- C. The training must:
 - 1. Define regulated garbage;
 - 2. Explain garbage regulations and their purpose;
 - 3. Include film, slides, or other training aids on foreign animal/plant pests and diseases;
 - 4. Specifically outline step-by-step handling procedures for this establishment.
 - 5. Include procedures for reporting and handling emergency spills, maintaining control of regulated materials, and proper cleaning and disinfecting of affected equipment and areas;
 - 6. Be presented in English or other appropriate languages.

SEP 12 1989

COPY

4

Regulated Garbage Compliance Agreement No.05-89: Crosby & Overton

NOTE: This agreement may be immediately cancelled or revoked for noncompliance. Violation of these Federal regulations can result in a criminal penalty of up to a \$5,000 fine, a year in jail, or both, or a civil penalty and a fine of up to \$1,000 per violation.

By signing this agreement, the signer certifies that this facility and equipment has met or will meet prior to handling APHIS regulated garbage, the requirements of all other applicable environmental authorities.

PSY100001731

SLIP

DATE

SEP 13 1989

Crosby & Overton, Inc.

Hubert Willer, Project Mgr.

- | | |
|---|---|
| <input type="checkbox"/> ACTION | <input type="checkbox"/> NOTE AND RETURN |
| <input type="checkbox"/> APPROVAL | <input type="checkbox"/> PER PHONE CALL |
| <input type="checkbox"/> AS REQUESTED | <input type="checkbox"/> RECOMMENDATION |
| <input type="checkbox"/> FOR COMMENT | <input type="checkbox"/> REPLY FOR SIGNATURE OF |
| <input type="checkbox"/> FOR INFORMATION | <input type="checkbox"/> RETURNED |
| <input type="checkbox"/> INITIALS | <input type="checkbox"/> SEE ME |
| <input checked="" type="checkbox"/> NOTE AND FILE | <input type="checkbox"/> YOUR SIGNATURE |

REMARKS

Compliance Agreement 05-89

503/326-2814

FROM
T. Andre, Jr.
Sup. PPQO acting
for Gary Smith,

USDA, APHIS, PPQ
657 Federal Bldg.
Portland, OR 97209

OIC/kde

US GPO 1985-526-216

FORM AD-314 (8-64)

PSY100001720



Port of Portland

PERMIT AND RIGHT-OF-ENTRY

No. B004-90

Date Issued: March 7, 1990

CHEMPRO

5420 N. Lagoon

Portland, Oregon 97217

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of ship generated garbage to PSRY
Autoclave Treatment Facility for Sterilization. Permit also allows
truck transfer of marine waste water to Ballast Water Treatment Plant.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from April 1 1990,
to December 31 1990.

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: \$0

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: *Darrell Winegar*

Typed Name: Darrell Winegar

Title: Plant Manager

Date: _____

PORT OF PORTLAND

Authorized By: *James Doreau*

Title: Facility Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

A. Premises

Permittee shall use the Premises solely for the business or purposes set forth in this Permit and Right-of-Entry.

B. Basic Payment

Permittee shall pay the Port all fees and charges in accordance with the provisions set forth herein.

C. Place of Payments

Payment shall be to Port at the Port of Portland, P.O. Box 3529, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of eighteen percent (18%) per annum. The interest rate of eighteen percent (18%) on overdue accounts is subject to periodic adjustment to reflect the Port's then current interest rate charged on overdue accounts.

D. Port's Right to Terminate

Notwithstanding any provision contained herein, the Port or its authorized representative may terminate this Permit and Right-of-Entry verbally or in writing, at its convenience or for Permittee's default. Upon notice of termination, the Permittee shall immediately leave the Premises. Permittee's obligations and liability to the Port shall survive termination. Unless waived by the Port, the Permittee shall restore the Premises to its condition at the commencement hereof, ordinary wear and tear excepted.

E. Indemnity

Permittee is an independent contractor and agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to persons or property, caused by the fault or negligence in whole or in part of the Permittee, its agents, contractors, or employees in the use or occupancy of the Premises.

F. No Benefit to Third Parties

The Port and Permittee are the only parties to this Permit and Right-of-Entry and as such are the only parties entitled to enforce its terms. Nothing in this Permit and Right-of-Entry gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

G. Insurance

In addition to any special insurance requirements, Permittee shall maintain comprehensive general and automobile liability insurance for the protection of Permittee and the Port, its directors, officers, servants, and employees, and insuring Permittee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to this Permit and Right-of-Entry caused by Permittee's use of the Premises with insurance of not less than one million and No./100 Dollars (\$1,000,000) combined single limit per occurrence for bodily injury and property damage. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Permittee. The coverage provided by this policy shall be primary and any other insurance carried by Port is excess.

Permittee shall maintain in force Workers' Compensation insurance coverage for Employers' Liability and, if applicable, Longshore and Harbor Workers' Compensation Act. If Contractor is a qualified self-insured employer a copy of Contractor's Certificate of Compliance and a certificate of insurance evidencing excess insurance shall be forwarded to Port upon execution of this Permit and Right-of-Entry.

Permittee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Permit and Right-of-Entry. All policies of insurance will provide for written notice to the Port and the Permittee before such policies may be revised, nonrenewed, or cancelled.

H. Assignment of Interest of Rights

Permittee shall not in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Permittee's rights granted by this instrument. Any attempted assignment or transfer shall be void.

I. Attorney Fees

If suit or action is instituted in connection with any controversy arising out of this Permit and Right-of-Entry, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

J. Warranties/Guarantees

The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that Port will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

K. Compliance with Law

Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, FAA regulations, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

L. Notices

All notices required under this Agreement shall be sent to the address set forth in this Permit and Right-of-Entry.

ATTACHMENT A

The Permittee agrees to indemnify, save and hold harmless the Port, its commissioners, directors, officers, and employees from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, or regulated substances as those terms are defined by federal, state, or local Environmental Law or regulation (Collectively "Hazardous Substances"), including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Ch. 6901 et. seq.); the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (42 U.S.C. Ch. 9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. Ch. 2601, et. seq.); the Clean Water Act (33 U.S.C. Ch. 1251, et. seq.); the Clean Air Act (42 U.S.C. Ch. 7401 et. seq.); Solid Waste Disposal Act (42 U.S.C. Ch. 3251, et. seq.); 1985 Oregon Laws Ch. 733, and 1987 Oregon Laws Ch. 540 as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.



Port of Portland

PERMIT AND RIGHT-OF-ENTRY

No. B003-90

Date Issued: January 22, 1990

Spencer Environmental Services, Inc.

914 Molalla Ave., Suite 204

Oregon City, OR 97045

EPA ID# ORD980836415

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops
to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water
generated outside PSRY must be pre-approved through special application to the Port
by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from January 1 19 90,
to December 31 19 90.

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: Donald M. Spencer Pres.

Typed Name: Donald M. Spencer

Title: President

Date: 1-30-90

PORT OF PORTLAND

Authorized By: James Dorrance

Title: Facility Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

PSY100001736

RIGHT OF ENTRY PERMIT

ATTACHMENT A

Special Insurance Requirements:

In addition to the insurance requirements described in Section G. the Permittee agrees to indemnify, save and hold harmless the Port, its commissioners, directors, officers, and employees from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, or regulated substances as those terms are defined by federal, state, or local Environmental Law or regulation (Collectively "Hazardous Substances"), including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Ch. 6901 et. seq.); the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (42 U.S.C. Ch. 9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. Ch. 2601, et. seq.); the Clean Water Act (33 U.S.C. Ch. 1251, et. seq.); the Clean Air Act (42 U.S.C. Ch. 7401 et. seq.); Solid Waste Disposal Act (42 U.S.C. Ch. 3251, et. seq.); 1985 Oregon Laws Ch. 733, and 1987 Oregon Laws Ch. 540 as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.



Port of Portland

PERMIT AND RIGHT-OF-ENTRY

No. B001-90

Date Issued: January 22, 1990

Pacific Coast Environmental, Inc.
5555 N. Channel Ave., Bldg 4 Annex
Portland, OR 97217
 EPA ID# ORD-987166352

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops
to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water
generated outside PSRY must be pre-approved through special application to the Port
by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from January 1 1990,
 to December 31 1990.

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: [Signature]
 Typed Name: John H. Somes
 Title: President
 Date: January 25, 1990

PORT OF PORTLAND

Authorized By: [Signature]
 Title: Facilities Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

PSY100001738

RIGHT OF ENTRY PERMIT

ATTACHMENT A

Special Insurance Requirements:

In addition to the insurance requirements described in Section G. the Permittee agrees to indemnify, save and hold harmless the Port, its commissioners, directors, officers, and employees from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, or regulated substances as those terms are defined by federal, state, or local Environmental Law or regulation (Collectively "Hazardous Substances"), including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Ch. 6901 et. seq.); the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (42 U.S.C. Ch. 9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. Ch. 2601, et. seq.); the Clean Water Act (33 U.S.C. Ch. 1251, et. seq.); the Clean Air Act (42 U.S.C. Ch. 7401 et. seq.); Solid Waste Disposal Act (42 U.S.C. Ch. 3251, et. seq.); 1985 Oregon Laws Ch. 733, and 1987 Oregon Laws Ch. 540 as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.



Port of Portland

PERMIT AND RIGHT-OF-ENTRY

No. B002-90

Date Issued: January 22, 1990

Lockwood Industries, Inc.

PO Box 1064

Camas, WA 98607

EPA ID# WAD980975437

PUC ACCT # 031892

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops
to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water
generated outside PSRY must be pre-approved through special application to the Port
by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from January 1 19 90,
to December 31 19 90.

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: _____ (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: Richard M. George

Typed Name: RICHARD M. GEORGE

Title: GENERAL MANAGER

Date: 1-26-90

PORT OF PORTLAND

Authorized By: James Dorrance

Title: Facility Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

PSY100001740

RIGHT OF ENTRY PERMIT

ATTACHMENT A

Special Insurance Requirements:

In addition to the insurance requirements described in Section G. the Permittee agrees to indemnify, save and hold harmless the Port, its commissioners, directors, officers, and employees from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, or regulated substances as those terms are defined by federal, state, or local Environmental Law or regulation (Collectively "Hazardous Substances"), including but not limited to, the Resource Conservation and Recovery Act (RCRA) (42 U.S.C. Ch. 6901 et. seq.); the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) (42 U.S.C. Ch. 9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. Ch. 2601, et. seq.); the Clean Water Act (33 U.S.C. Ch. 1251, et. seq.); the Clean Air Act (42 U.S.C. Ch. 7401 et. seq.); Solid Waste Disposal Act (42 U.S.C. Ch. 3251, et. seq.); 1985 Oregon Laws Ch. 733, and 1987 Oregon Laws Ch. 540 as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.



Port of Portland

PERMIT AND RIGHT-OF-ENTRY

No. B001Date Issued: June 12, 1989Pacific Coast Environmental, Inc.5555 N. Channel Bldg. 80Portland, OR 97217EPA ID# ORD-987166352

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water generated outside PSRY must be pre-approved through special application to the Port by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from 6 June 19 89, to December 31 19 89.

Special Insurance Requirements: Insurance on file with Port of Portland

Ship Repair Yard Administration Office

Pacific Coast Environmental, Inc. agrees to the requirement

of attachment "A".

Compensation to be Paid by Permittee: _____ (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: [Signature]Typed Name: D.J. StrathernTitle: General ManagerDate: 6 June 1989

PORT OF PORTLAND

Authorized By: [Signature]Title: General Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

A. Premises

Permittee shall use the Premises solely for the business or purposes set forth in this Permit and Right-of-Entry.

B. Basic Payment

Permittee shall pay the Port all fees and charges in accordance with the provisions set forth herein.

C. Place of Payments

Payment shall be to Port at the Port of Portland, P.O. Box 3529, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of eighteen percent (18%) per annum. The interest rate of eighteen percent (18%) on overdue accounts is subject to periodic adjustment to reflect the Port's then current interest rate charged on overdue accounts.

D. Port's Right to Terminate

Notwithstanding any provision contained herein, the Port or its authorized representative may terminate this Permit and Right-of-Entry verbally or in writing, at its convenience or for Permittee's default. Upon notice of termination, the Permittee shall immediately leave the Premises. Permittee's obligations and liability to the Port shall survive termination. Unless waived by the Port, the Permittee shall restore the Premises to its condition at the commencement hereof, ordinary wear and tear excepted.

E. Indemnity

Permittee is an independent contractor and agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to persons or property, caused by the fault or negligence in whole or in part of the Permittee, its agents, contractors, or employees in the use or occupancy of the Premises.

F. No Benefit to Third Parties

The Port and Permittee are the only parties to this Permit and Right-of-Entry and as such are the only parties entitled to enforce its terms. Nothing in this Permit and Right-of-Entry gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

G. Insurance

In addition to any special insurance requirements, Permittee shall maintain comprehensive general and automobile liability insurance for the protection of Permittee and the Port, its directors, officers, servants, and employees, and insuring Permittee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to this Permit and Right-of-Entry caused by Permittee's use of the Premises with insurance of not less than one million and No./100 Dollars (\$1,000,000) combined single limit per occurrence for bodily injury and property damage. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Permittee. The coverage provided by this policy shall be primary and any other insurance carried by Port is excess.

Permittee shall maintain in force Workers' Compensation insurance coverage for Employers' Liability and, if applicable, Longshore and Harbor Workers' Compensation Act. If Contractor is a qualified self-insured employer a copy of Contractor's Certificate of Compliance and a certificate of insurance evidencing excess insurance shall be forwarded to Port upon execution of this Permit and Right-of-Entry.

Permittee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Permit and Right-of-Entry. All policies of insurance will provide for written notice to the Port and the Permittee before such policies may be revised, nonrenewed, or cancelled.

H. Assignment of Interest of Rights

Permittee shall not in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Permittee's rights granted by this instrument. Any attempted assignment or transfer shall be void.

I. Attorney Fees

If suit or action is instituted in connection with any controversy arising out of this Permit and Right-of-Entry, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

J. Warranties/Guarantees

The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that Port will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

K. Compliance with Law

Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, FAA regulations, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

L. Notices

All notices required under this Agreement shall be sent to the address set forth in this Permit and Right-of-Entry.

Attachment A

Special Insurance Requirements

In addition to the insurance requirements described in section G, Permittee agrees to indemnify, save, and hold harmless the Port from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, as those items are defined by federal, state, or local environmental law or regulation, including but not limited to, the Resource Conservation and Recovery Act (RCRA), (42 U.S.C. Section 6901 et seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. Section 9601 et. seq.); the Toxic Substances Control Act (15 U.S.C. Section 2601 et. seq.); the Clean Water Act (33 U.S.C. Section 1251 et. seq.); the Clean Air Act (42 U.S.C. Section 7401 et. seq.); and 1985 Oregon laws Ch. 733, as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.

PERMIT AND RIGHT-OF-ENTRY

No. B003

Date issued: 08/04/89

Spencer Environmental Services, Inc

914 Molalla Ave., Suite 204

Oregon City, OR 97045

EPA ID# 0R09800236415

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water generated outside PSRY must be pre-approved through special application to the Port by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from August 8 1989
to December 31 19 .

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: _____ (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature:

Typed Name: Spence-Env. Serv.

Title: Operations Supervisor

Date: 8/4/89

PORT OF PORTLAND

Authorized By:

Title: Operations Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

A. Premises

Permittee shall use the Premises solely for the business or purposes set forth in this Permit and Right-of-Entry.

B. Port Payment

Permittee shall pay the Port all fees and charges in accordance with the provisions set forth herein.

C. Place of Payments

Payment shall be to Port at the Port of Portland, P.O. Box 3529, Portland, Oregon 97208, or such other place as Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of eighteen percent (18%) per annum. The interest rate of eighteen percent (18%) on overdue accounts is subject to periodic adjustment to reflect the Port's then current interest rate charged on overdue accounts.

D. Port's Right to Terminate

Notwithstanding any provision contained herein, the Port or its authorized representative may terminate this Permit and Right-of-Entry verbally or in writing, at its convenience or for Permittee's default. Upon notice of termination, the Permittee shall immediately leave the Premises. Permittee's obligations and liability to the Port shall survive termination. Unless waived by the Port, the Permittee shall restore the Premises to its condition at the commencement hereof, ordinary wear and tear excepted.

E. Indemnity

Permittee is an independent contractor and agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to persons or property, caused by the fault or negligence in whole or in part of the Permittee, its agents, contractors, or employees in the use or occupancy of the Premises.

F. No Benefit to Third Parties

The Port and Permittee are the only parties to this Permit and Right-of-Entry and as such are the only parties entitled to enforce its terms. Nothing in this Permit and Right-of-Entry gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

G. Insurance

In addition to any special insurance requirements, Permittee shall maintain comprehensive general and automobile liability insurance for the protection of Permittee and the Port, its directors, officers, servants, and employees, and insuring Permittee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to this Permit and Right-of-Entry caused by Permittee's use of the Premises with insurance of not less than one million and No./100 Dollars (\$1,000,000) combined single limit per occurrence for bodily injury and property damage. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the condition that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Permittee. The coverage provided by this policy shall be primary and any other insurance carried by Port is excess.

Permittee shall maintain in force Workers' Compensation insurance coverage for Employers' Liability and, if applicable, Longshore and Harbor Workers' Compensation Act. If Contractor is a qualified self-insured employer a copy of Contractor's Certificate of Compliance and a certificate of insurance evidencing excess insurance shall be forwarded to Port upon execution of this Permit and Right-of-Entry.

Permittee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Permit and Right-of-Entry. All policies of insurance will provide for written notice to the Port and the Permittee before such policies may be revised, nonrenewed, or cancelled.

H. Assignment of Interest of Rights

Permittee shall not in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Permittee's rights granted by this instrument. Any attempted assignment or transfer shall be void.

I. Attorney Fees

If suit or action is instituted in connection with any controversy arising out of this Permit and Right-of-Entry, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

J. Warranties/Guarantees

The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that Port will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

K. Compliance with Law

Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, FAA regulations, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

L. Notices

All notices required under this Agreement shall be sent to the address set forth in this Permit and Right-of-Entry.

Attachment A

Special Insurance Requirements

In addition to the insurance requirements described in section G, Permittee agrees to indemnify, save, and hold harmless the Port from and against all damages, costs, liabilities, and expenses caused by, arising out of, or in connection with, the handling, storage, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials or contaminants, as those items are defined by federal, state, or local environmental law or regulation, including but not limited to, the Resource Conservation and Recovery Act (RCRA), (42 U.S.C. Section 6901 et seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. Section 9601 et. seq.); the Toxic Substances Control Act (15 U.S.C. Section 2601 et. seq.); the Clean Water Act (33 U.S.C. Section 1251 et. seq.); the Clean Air Act (42 U.S.C. Section 7401 et. seq.); and 1985 Oregon laws Ch. 733, as the same may be amended from time to time. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency.

COPY



Port of Portland
PERMIT AND RIGHT-OF-ENTRY

No. B002

Date Issued: June 15, 1989

Lockwood Industries, Inc

P.O. Box 1064

Camas, WA 98607

✓ EPA ID# WAD 980975437

✓ PUC ACCT. # 031892

The Port of Portland hereby grants to Permittee the right to enter upon and use the below-described premises in accordance with the terms and conditions set forth below and printed on the reverse side of this document.

Premises and Permitted Use: Truck transfer of marine generated oily waste water or slops to PSRY Ballast Water Treatment Facility for permanent disposal. Marine waste water generated outside PSRY must be pre-approved through special application to the Port by the company generating the waste water.

Term of Permit: The effective date of this Permit and Right-of-Entry shall be from June 15 19 89 to December 31 19 89.

Special Insurance Requirements: See Attachment A

Compensation to be Paid by Permittee: _____ (\$0)

Both parties agree to be bound by the terms and conditions of this Permit and Right-of-Entry.

PERMITTEE

Signature: Richard M. George

Typed Name: RICHARD GEORGE - LOCKWOOD IND

Title: GENERAL MANAGER - VICE PRESIDENT

Date: 6-19-89

PORT OF PORTLAND

Authorized By: [Signature]

Title: General Manager

This form has been approved as to Legal Sufficiency by the Port's Legal Counsel. Any Special Insurance required by this Permit and Right-of-Entry shall be determined by the Port's Risk Management Division. All terms and conditions printed on the reverse side of this document are incorporated by reference herein and shall apply to this Permit and Right of Entry.

PSY100001748

A. Premises

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B. Basic Payment

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Permittee is an independent contractor and agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to persons or property, caused by the fault or negligence in whole or in part of the Permittee, its agents, contractors, or employees in the use or occupancy of the Premises.

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Permittee shall maintain in force Workers' Compensation insurance coverage for Employers' Liability and, if applicable, Longshore and Harbor Workers' Compensation Act. If Contractor is a qualified self-insured employer a copy of Contractor's Certificate of Compliance and a certificate of insurance evidencing excess insurance shall be forwarded to Port upon execution of this Permit and Right-of-Entry.

Permittee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Permit and Right-of-Entry. All policies of insurance will provide for written notice to the Port and the Permittee before such policies may be revised, renewed, or cancelled.

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The Permittee acknowledges that it has inspected the Premises and has found them to be completely acceptable and safe for Permittee's intended use. Port makes no warranty, guarantee, or averment of any nature whatsoever concerning the physical condition of the Premises, and it is agreed that Port will not be responsible for any loss, damage or costs which may be incurred by Permittee by reason of any such physical condition.

K. Compliance with Law

Permittee shall comply with all applicable state, federal, and local laws, including but not limited to, FAA regulations, City of Portland zoning ordinances and laws, rules, regulations, and policies concerning equal opportunity, nondiscrimination, Workers' Compensation, and minimum and prevailing wage requirements.

L. Notices

All notices required under this Agreement shall be sent to the address set forth in this Permit and Right-of-Entry.

THE PORT OF PORTLAND
PORTLAND SHIP REPAIR YARD
FACILITY AGREEMENT

THIS AGREEMENT, made and entered into this 1st day of November, 1990, by and between THE PORT OF PORTLAND, a Port District of the State of Oregon, hereinafter referred to as "Port", and Cascade General, Inc., a corporation organized and existing under the laws of the State of Oregon, hereinafter referred to as "Contractor."

W I T N E S S E T H:

WHEREAS, the Port is the owner of the Portland Ship Repair Yard (the "PSRY"), located in the County of Multnomah, State of Oregon;

WHEREAS, Port desires to operate the PSRY as an economically self-sufficient facility used in common by prime ship repair contractors and other users compatible with the ship repair business; and

WHEREAS, Contractor is a prime ship repair contractor and desires to use the PSRY, in common with other users, for the conduct of ship repair activities.

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter contained to be kept and performed by the respective parties, the parties agree as follows:

Port shall, from time to time, reevaluate the amount of the letter of credit in light of the financial condition of Contractor and the amount of Fees anticipated to be owing by Contractor, and notify Contractor of an increase or decrease in the required amount of the letter of credit. Port shall not demand that the letter of credit be increased in excess of the total Fees that Port estimates Contractor will incur in any one billing period (being the period specified in Section 6 as such period may be modified from time to time under Section 11.2) in the 12 month period following the demand for an increased letter of credit. Within ten days after the effective date of Port's notice of any increase in the letter of credit, Contractor shall provide Port with a letter of credit, meeting the requirements of this Section, in such newly established amount. Port may, in its sole discretion, accept other forms of security in lieu of a letter of credit.

SECTION 9 - INDEMNITY.

Contractor shall indemnify, defend and hold harmless Port, its commissioners, officers, directors, agents and employees, from and against all losses, costs, claims, demands, damages or liabilities of any kind (including without limitation attorneys' fees) (collectively "Losses"), arising out of or in any way relating to: (i) Contractor's breach of any covenant or warranty in this Agreement; (ii) the negligence or willful misconduct of Contractor, its subcontractors or employees; (iii) the actual or alleged use, treatment, storage, generation, transport, disposal or other handling of Hazardous

Substances at the PSRY by Contractor, its subcontractors or employees; or (iv) the actual or alleged leak, spill, disposal or other release of any Hazardous Substance, if the Hazardous Substance is owned, possessed or in the control of Contractor or Contractor's subcontractors, or if the release is caused by Contractor, such subcontractor. Contractor specifically and expressly agrees that the indemnity obligations under this Section 9 shall include, without limitation, to the maximum extent permitted by law: (a) loss of or damage to any property of Port or Contractor or any third party; (b) bodily or personal injury to or death of any person(s), including, without limitation, employees of Contractor and its subcontractors or suppliers at any tier; (c) claims arising out of workers' compensation or similar laws, or obligations applicable to employees of Contractor and its subcontractors at any tier; and (d) claims by other Prime Ship Repair Contractors and third parties arising out of Contractor's failure to comply with the PSRY Rules and Regulations relating to scheduling use of the PSRY facilities. With respect to Hazardous Substances, this indemnity obligation shall include, without limitation: (a) claims of third parties, including government agencies, for damages, response costs, clean-up costs or other relief; (b) the cost, expense, or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the PSRY premises; (c) the expense, including fees of attorneys, engineers, paralegals and experts, of reporting the existence of said Hazardous Substances to any agency of the State of Oregon or the United States as required by applicable laws or regulations; and (d) any and all expenses or obligations, including

attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom whether or not taxable as costs. This section shall not apply to any Losses caused in part by the Port's own negligence, failure to effect any repair or maintenance required of the Port or by any other breach of this Agreement by the Port. Contractor's obligations under this Section shall survive the expiration or termination of this Agreement for any reason. The Port's rights under this Section are in addition to and not in lieu of any other rights or remedies to which the Port may be entitled under this Agreement or otherwise.

SECTION 10 - INSURANCE:

10.1 Policies To Be Carried. Contractor shall, at all times during the term of this Agreement, maintain in full force and effect the following occurrence form insurance policies:

(a) Workers' Compensation Insurance with statutory limits against liability under the Oregon Workers' Compensation Act and under the Federal Longshoremen's and Harbor Workers' Compensation Act. If applicable, Jones Act coverage shall also be provided.

(b) Ship Repairer's Legal Liability Insurance with minimum combined single limit bodily injury and property damage limits of \$5,000,000.

(c) Employer's liability insurance in the minimum limits of \$1,000,000 for each accident, covering injury or death to any employee which may be outside the scope of the state or federal workers' compensation statutes.

(d) Commercial general liability insurance, with minimum combined single limits of \$5,000,000 for injury to or death of any person or persons, for property damage, and for contractual liability coverage insuring the indemnity provisions of this Agreement. Contractor, at its option, may obtain and maintain a separate contractual liability policy with the same minimum limits.

(e) Automobile liability insurance covering owned, nonowned and hired automobiles, with minimum limits of \$1,000,000 for injury, death or property damage.

(f) Sudden and accidental pollution liability insurance with a minimum combined single limit of \$5,000,000 for injury to or death of any person or persons, for property damages, for fines and penalties, and for costs of cleanup expenses as required by the Federal Water Pollution Act of 1980 and all other pollution laws now or hereafter enacted and any amendments or modifications thereto.

(g) Following form excess liability coverage can be utilized to supplement basic insurance limits to meet coverage requirements on individual insurance lines.

10.2 General Insurance Requirements. All of the insurance coverage required by this Section 10 shall include coverage for acts of Contractor and its subcontractors and anyone directly employed by them. These insurance policies shall be written by an insurance company or companies acceptable to Port and shall be maintained in full force and effect during the term of this Agreement. All policies, except workers' compensation insurance and employers' liability insurance policies, whether specifically mentioned above or not, shall recognize, refer to and insure Contractor's obligations under Section 9 of this Agreement and name as additional insureds, to the extent of their rights to indemnification under Section 9 above: "Port of Portland, a Port District of the State of Oregon, and any and all its commissioners, agents, officers, directors and employees." All insurance shall be endorsed to provide that, with respect to the Contractor's activities at the PSRY (including but not limited to Contractor's operations at and maintenance and use of the PSRY facilities), the coverages afforded shall be primary in relation to any other policies carried by Port and the above persons, and to any other policies in which Port or the above persons are named as additional insureds. All policies shall further provide that underwriters are obligated to provide Port at least thirty days written notice of cancellation, amendment or alteration. The Port and Contractor hereby mutually release each other from liability and waive all right of recovery against each other from any loss from perils which can be insured against under the standard form of fire insurance contract with extended coverage endorsement generally available in Oregon at the time the loss occurs, whether or not the party incurring

the loss has actually obtained such insurance. If this section would have the effect of invalidating any insurance coverage of the Port or of Contractor, it shall be inapplicable as to the party covered by that insurance contract but only to the extent necessary to preserve the validity of that insurance contract.

10.3 Certificate of Insurance. Prior to exercising any rights under this Agreement, Contractor shall furnish Port with one certified copy of the insurance policies, or such other evidence of insurance as is satisfactory to Port, and two certificates of insurance evidencing the coverages set forth in this Section. The certificates shall provide for thirty days' written notice of cancellation, amendment or expiration to Port. Port may temporarily waive delivery of originals of the policies, but such waiver shall not relieve Contractor from its obligation to provide an original of the policies. In the event Contractor fails to maintain such insurance, Port may, at its option, arrange for such insurance coverage, in which event all costs and premiums incurred by Port shall be immediately reimbursed to Port by Contractor.

SECTION 11 - DEFAULT AND TERMINATION.

11.1 Event of Default. The following shall constitute a default by Contractor under this Agreement:

- (a) Contractor fails to pay any billing by Port for Fees or other amounts owing within ten days after it is due.

energy or materials, acts of God, acts of a public enemy, acts of superior governmental authority, weather conditions, riots, rebellion, or sabotage, or any other circumstances for which it is not responsible or which are not within its control. However, the occurrence of any event provided for in this Section shall not excuse Contractor from paying the rentals, fees, and charges payable to the Port, pursuant to the terms of this Agreement.

15.14 Effective Date. This Agreement shall become effective as of November 1, 1990.

IN WITNESS WHEREOF, the parties hereto have executed this Facility Agreement this 30 day of OCTOBER, 1990.

CASCADE GENERAL, INC.

By Loy Kahler

By Stephen H. Anderson

THE PORT OF PORTLAND

By [Signature]
EXECUTIVE DIRECTOR

By Mary Shinn
Assistant Secretary

APPROVED AS TO FORM

[Signature]
Counsel for
The Port of Portland

10/29/90
4413L:12L244

APPROVED BY COMMISSION

ON 11-14 1990

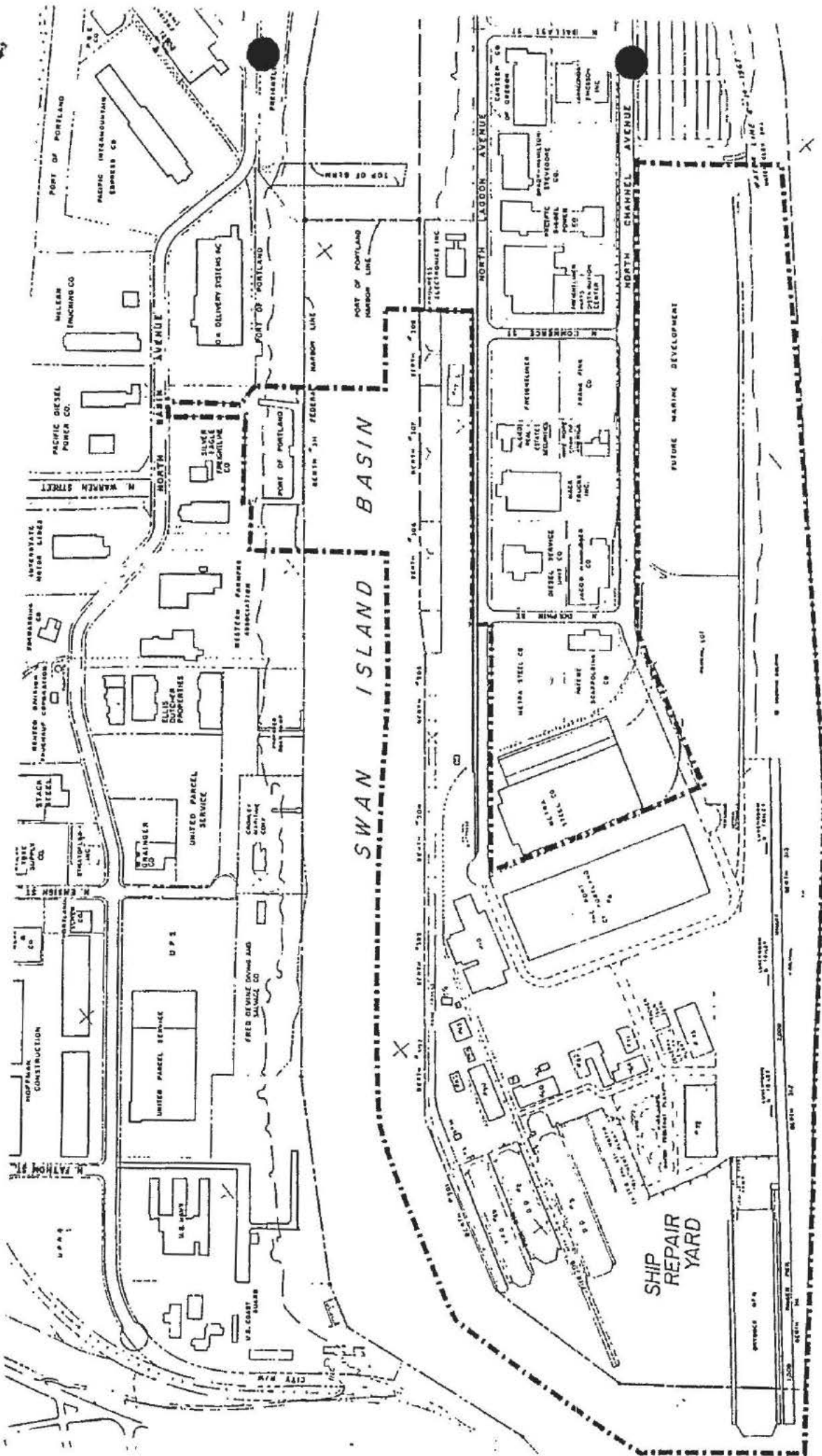


EXHIBIT 1

— WILLAMETT —

AGREEMENT FOR USE OF PSRY
NON-RETAIL (CARD-LOCK) FUEL DISPENSING FACILITY

Customer: LIPS PROPELLERS
Address: 5555 N. CHANLE AVE. BLD. 64 PO BOX 17161
PORTLAND OR. 97217
Telephone: (503) 289-9830
Federal Employer ID Number: (b) (4)

Note: If no Federal Employer ID Number is available, state law requires that the customer provide equivalent documentation, such as a business license or contractors license, to verify business status. Check here if such documentation is attached: _____

1. Authorized Use. Subject to the terms and conditions stated in this Agreement and Customer's compliance with applicable laws and regulations, the Port of Portland (the "Port") authorizes Customer to use the cards listed on Exhibit A (the "Cards") to obtain fuel from the Port's non-retail fuel dispensing facility at the Portland Ship Repair Yard (the "Facility").

2. Customer Certifications. Customer hereby certifies that:

2.1. Customer will purchase a minimum of 2400 gallons of Class 1 flammable liquids or diesel fuel for business purposes during every 12-month period this Agreement remains in effect UNLESS one of the following applies (check any that apply):

- ☐ All fuel purchased by Customer from the Facility qualifies as a deductible farming expense on Customer's federal income tax return. ATTACH DOCUMENTATION.
- ☐ All fuel purchased by Customer from the Facility is purchased by a governmental agency providing fire, ambulance or police services. ATTACH DOCUMENTATION.
- ☒ Customer was a customer of the Facility on and has been a customer of the Facility since June 30, 1991.

2.2. Customer is (or is employed by) a business, a government agency, or a nonprofit or charitable organization, and Customer will dispense Class 1 flammable liquids only into the fuel tanks of motor vehicles or other containers owned and used by Customer's business, government agency, or nonprofit or charitable organization.

2.3. Each individual who will dispense fuel from the Facility will, prior to dispensing such fuel, have satisfied safety training requirements in compliance with the rules of the State Fire Marshal.

3. Customer Documentation. On or before September 1 of each year, Customer shall provide Port with documentation, in a form satisfactory to Port, that:

3.1. Unless exempt from the volume requirements pursuant to paragraph 2.1 of this Agreement, Customer has purchased a minimum of 2400 gallons of Class 1 flammable liquids or diesel fuel for business purposes during the previous 12-month period; and

3.2. Each individual who has dispensed fuel from the Facility during the previous 12-month period has, prior to dispensing such fuel, satisfied safety training requirements in compliance with the rules of the State Fire Marshal.

4. Rates and Charges. Customer agrees to pay any and all charges incurred through use of the Cards. Current prices for fuel (inclusive of fuel taxes) shall be posted in the Portland Ship Repair Yard Business Office, and may be changed without notice. Customer further agrees to pay a one-time fee of \$5.00 for each Card issued.

5. Payment. Customer shall be invoiced monthly. Unless otherwise agreed by the Port in writing, payment shall be due within 30 days of invoicing. Payments shall be made to the Port at the Port of Portland, Post Office Box 5095, Portland, Oregon, 97208, or such other place or address as the Port may designate in writing.

6. Late Payments. Any and all amounts not paid by Customer when due shall be assessed a delinquency charge at the rate of eighteen percent (18%) per annum, which rate shall be subject to periodic adjustment to reflect the Port's then current rate charged on overdue accounts.

7. Ownership of Cards. The Cards shall remain the property of the Port and shall be returned to the Port immediately upon request.

8. Lost or Stolen Cards. Customer shall immediately notify the Port in writing of any lost or stolen cards. Customer shall remain responsible for all charges incurred through use of the Cards prior to the actual receipt of notice by the Port. Notice shall be delivered to Facilities Manager, Portland Ship Repair Yard, 5555 N. Channel Avenue, Building 50, Portland, Oregon 97217. A charge of \$5.00 shall be assessed for each Card replaced at the request of Customer.

9. Indemnity. Customer agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers, directors, agents and employees from and against all claims, actions, losses, damages, or liabilities, including without limitation attorneys fees and costs, governmental fines or penalties, and cleanup or remediation costs, caused by or in any way arising out of Customer's use of the Facility.

10. Insurance. Customer shall maintain automobile liability insurance in an amount of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage arising out of the use of all owned, hired and non-owned automobiles using the Facility. If Customer uses the Facility for mobile equipment, Customer shall maintain commercial general liability in an amount of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage. All insurance policies maintained pursuant to this paragraph shall name the Port of Portland and its Commissioners, directors, officers, agents and employees as additional insureds. Customer shall provide the Port with a current certificate of insurance as evidence of the required insurance coverages.


11. Default. If Customer at any time (a) fails to pay charges when due and owing, and such failure continues for a period of five days after the sending of written notice by the Port, (b) becomes ineligible to purchase fuel from the Facility under any provision of federal, state, or local laws or regulations, (c) violates any provision of federal, state, or local laws or regulations, or any rules or regulations adopted by the Port, its Executive Director, or the Executive Director's designee, concerning use or operation of the Facility, or (d) fails to comply with any other provision of this Agreement, the Port shall be entitled to:

- 11.1. Immediately terminate Customer's right to use the Facility;
- 11.2. Recover all past due charges and any costs incurred by the Port in collection, including reasonable attorney fees at trial or on appeal; and
- 11.3. Exercise any and all other remedies available at law or in equity.
12. Termination. Customer's rights to use the Facility may be terminated or suspended by the Port at any time at the Port's sole discretion. Customer's certifications and obligations under this Agreement shall survive termination.
13. Non-Assignment. This Agreement may not be assigned or transferred by Customer. Any attempted assignment or transfer shall be void.

BY SIGNING THIS AGREEMENT, CUSTOMER SWEARS THAT ALL INFORMATION SUPPLIED IN THIS AGREEMENT IS TRUE AND CORRECT. SUPPLYING FALSE INFORMATION MAY LEAD TO CRIMINAL PROSECUTION UNDER ORS 162.075.

CUSTOMER:

THE PORT OF PORTLAND:

By: 
Name: GREG COLE
Title: GENERAL MANAGER
Date: 1/7/94

By: 
George McShea
Director, PSRY

This form has been approved as to legal sufficiency by the Port's legal counsel.

AGREEMENT FOR USE OF PSRY
NON-RETAIL (CARD-LOCK) FUEL DISPENSING FACILITY

Customer: Marine Vacuum Service
Address: 5555 N Channel Bldg. 4 A
Portland, OR. 97217
Telephone: 503-286-3317
Federal Employer ID Number: (b) (4)

Note: If no Federal Employer ID Number is available, state law requires that the customer provide equivalent documentation, such as a business license or contractors license, to verify business status. Check here if such documentation is attached: _____

1. Authorized Use. Subject to the terms and conditions stated in this Agreement and Customer's compliance with applicable laws and regulations, the Port of Portland (the "Port") authorizes Customer to use the cards listed on Exhibit A (the "Cards") to obtain fuel from the Port's non-retail fuel dispensing facility at the Portland Ship Repair Yard (the "Facility").

2. Customer Certifications. Customer hereby certifies that:

2.1. Customer will purchase a minimum of 2400 gallons of Class 1 flammable liquids or diesel fuel for business purposes during every 12-month period this Agreement remains in effect UNLESS one of the following applies (check any that apply):

- ☐ All fuel purchased by Customer from the Facility qualifies as a deductible farming expense on Customer's federal income tax return. ATTACH DOCUMENTATION.
- ☐ All fuel purchased by Customer from the Facility is purchased by a governmental agency providing fire, ambulance or police services. ATTACH DOCUMENTATION.
- ☐ Customer was a customer of the Facility on and has been a customer of the Facility since June 30, 1991.

2.2. Customer is (or is employed by) a business, a government agency, or a nonprofit or charitable organization, and Customer will dispense Class 1 flammable liquids only into the fuel tanks of motor vehicles or other containers owned and used by Customer's business, government agency, or nonprofit or charitable organization.

2.3. Each individual who will dispense fuel from the Facility will, prior to dispensing such fuel, have satisfied safety training requirements in compliance with the rules of the State Fire Marshal.

3. Customer Documentation. On or before September 1 of each year, Customer shall provide Port with documentation, in a form satisfactory to Port, that:

3.1. Unless exempt from the volume requirements pursuant to paragraph 2.1 of this Agreement, Customer has purchased a minimum of 2400 gallons of Class 1 flammable liquids or diesel fuel for business purposes during the previous 12-month period; and

3.2. Each individual who has dispensed fuel from the Facility during the previous 12-month period has, prior to dispensing such fuel, satisfied safety training requirements in compliance with the rules of the State Fire Marshal.

4. Rates and Charges. Customer agrees to pay any and all charges incurred through use of the Cards. Current prices for fuel (inclusive of fuel taxes) shall be posted in the Portland Ship Repair Yard Business Office, and may be changed without notice. Customer further agrees to pay a one-time fee of \$5.00 for each Card issued.

5. Payment. Customer shall be invoiced monthly. Unless otherwise agreed by the Port in writing, payment shall be due within 30 days of invoicing. Payments shall be made to the Port at the Port of Portland, Post Office Box 5095, Portland, Oregon, 97208, or such other place or address as the Port may designate in writing.

6. Late Payments. Any and all amounts not paid by Customer when due shall be assessed a delinquency charge at the rate of eighteen percent (18%) per annum, which rate shall be subject to periodic adjustment to reflect the Port's then current rate charged on overdue accounts.

7. Ownership of Cards. The Cards shall remain the property of the Port and shall be returned to the Port immediately upon request.

8. Lost or Stolen Cards. Customer shall immediately notify the Port in writing of any lost or stolen cards. Customer shall remain responsible for all charges incurred through use of the Cards prior to the actual receipt of notice by the Port. Notice shall be delivered to Facilities Manager, Portland Ship Repair Yard, 5555 N. Channel Avenue, Building 50, Portland, Oregon 97217. A charge of \$5.00 shall be assessed for each Card replaced at the request of Customer.

9. Indemnity. Customer agrees to fully indemnify, save harmless and defend the Port, its commissioners, officers, directors, agents and employees from and against all claims, actions, losses, damages, or liabilities, including without limitation attorneys fees and costs, governmental fines or penalties, and cleanup or remediation costs, caused by or in any way arising out of Customer's use of the Facility.

10. Insurance. Customer shall maintain automobile liability insurance in an amount of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage arising out of the use of all owned, hired and non-owned automobiles using the Facility. If Customer uses the Facility for mobile equipment, Customer shall maintain commercial general liability in an amount of not less than \$1,000,000 combined single limit per occurrence for bodily injury and property damage. All insurance policies maintained pursuant to this paragraph shall name the Port of Portland and its Commissioners, directors, officers, agents and employees as additional insureds. Customer shall provide the Port with a current certificate of insurance as evidence of the required insurance coverages.

11. Default. If Customer at any time (a) fails to pay charges when due and owing, and such failure continues for a period of five days after the sending of written notice by the Port, (b) becomes ineligible to purchase fuel from the Facility under any provision of federal, state, or local laws or regulations, (c) violates any provision of federal, state, or local laws or regulations, or any rules or regulations adopted by the Port, its Executive Director, or the Executive Director's designee, concerning use or operation of the Facility, or (d) fails to comply with any other provision of this Agreement, the Port shall be entitled to:

- 11.1. Immediately terminate Customer's right to use the Facility;
- 11.2. Recover all past due charges and any costs incurred by the Port in collection, including reasonable attorney fees at trial or on appeal; and
- 11.3. Exercise any and all other remedies available at law or in equity.
12. Termination. Customer's rights to use the Facility may be terminated or suspended by the Port at any time at the Port's sole discretion. Customer's certifications and obligations under this Agreement shall survive termination.
13. Non-Assignment. This Agreement may not be assigned or transferred by Customer. Any attempted assignment or transfer shall be void.

BY SIGNING THIS AGREEMENT, CUSTOMER SWEARS THAT ALL INFORMATION SUPPLIED IN THIS AGREEMENT IS TRUE AND CORRECT. SUPPLYING FALSE INFORMATION MAY LEAD TO CRIMINAL PROSECUTION UNDER ORS 162.075.

CUSTOMER:

THE PORT OF PORTLAND:

By: John H. Somes
Name: John H. Somes
Title: Operations
Date: 1-19-94

By: George McShea
George McShea
Director, PSRY

This form has been approved as to legal sufficiency by the Port's legal counsel.

LONG-TERM
LEASE OF IMPROVED SPACES

THIS LEASE, dated October 14, 1987, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter referred to as "Port," and CONTROLLED HEAT, INCORPORATED, a corporation organized under the laws of the State of Washington, hereinafter referred to as "Lessee."

WITNESSETH:

ARTICLE I - Premises

Section 1.01 - Description: Port leases to Lessee, on the terms and conditions stated below, the Premises consisting of Three Thousand Three Hundred (3300) square feet of yard space near LIPS repair facility with the intent upon mutual agreement to expand the area to Five Thousand (5000) square feet through a future amendment to this agreement (See Attachment 'B').

Section 1.02 - Use of Premises: Lessee may use the Premises only for the following purpose: Facilities related to ship repair, and activities compatible with ship repair and marine fabrication.

Section 1.03 - Reserved Rights:

A. Notwithstanding any other provision contained herein, the Port hereby retains the right to access and transit through the leased Premises, at its convenience, for its employees, agents,

tenants, or contractors during the term of this Lease for any business purpose. The Port's reserved rights of access and transit pursuant to this paragraph shall be by the most direct route, as determined by the Port, and shall permit the movement of modules or other equipment. Lessee may construct a removable security fence of a design approved by the Port.

B. Lessee agrees to cooperate with the Port in scheduling the ingress, egress, and transit of the Port, its employees, agents, tenants, or contractors through the leased Premises, agrees to not interfere with the movement of modules or other equipment, and agrees to permit the Port to relocate any of Lessee's equipment, at Port's expense, including Lessee's Heat Treating Plant, necessary to permit access and transit.

C. The Port hereby agrees to indemnify and reimburse Lessee for any and all damages sustained to Lessee's equipment used by Lessee on the leased Premises caused either intentionally or by the negligence of the Port's employees, agents, tenants, or contractors while traversing through the leased Premises. Lessee shall not be responsible for any damage to the Premises caused by the Port's employees, agents, tenants, or contractors while they are traversing through said leased Premises.

ARTICLE II - TERM

The term of this Lease shall commence upon July 1, 1987, and shall continue for a period of sixty (60) months with one option to renew the agreement for an additional sixty (60) months based upon the then prevailing market rate for yard space, said option to be exercised by Lessee in writing one hundred and twenty (120) days prior to expiration of the initial term.

ARTICLE III - RENTAL

Section 3.01 - Rent: For the sixty (60) month period, Lessee shall pay to Port monthly rental equal to Six Cents (\$0.06) per square foot per month or One Hundred Ninety Eight Dollars (\$198.00) per month based upon the initial area of Three Thousand Three Hundred (3300) square feet plus an amount based on the cost of the improvements identified in Attachment 'C' amortized over the sixty (60) month period at twelve percent (12%) per annum or prime rate plus two percent (2%) on the date of commencement, whichever is less, but not to exceed Six Hundred Sixty Dollars and Seventy Two Cents (\$660.72) per month.

Section 3.02 - Time and Place of Payments: Payment of the above-stated rent shall be paid by Lessee to the Port on or before the tenth (10th) day of each calendar month at its offices in Portland, Oregon, or such other place as the Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of ten percent (10%) per annum.

ARTICLE IV - LESSEE OBLIGATIONS

Section 4.01 - Maintenance: Lessee shall keep and maintain the leased Premises and all improvements of any kind, which may be erected, installed or made thereon by Lessee, in good and substantial repair and condition, and shall make all necessary repairs and alterations thereto. Lessee shall provide proper containers for trash and garbage and shall keep the leased Premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such Premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.02 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased Premises at Lessee's order or consent (see Attachment 'A').

Section 4.03 - Liens: Lessee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been furnished or ordered with Lessee's consent to be furnished to or for the Lessee in, upon or about the Premises herein leased, which may be secured by any mechanics', materialmen's or other lien against the Premises herein leased or Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided

that the Lessee may in good faith contest any mechanics' or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest.

Section 4.04 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax levying body upon the Premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the Premises or facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said Premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by Lessee forthwith or as soon as a statement thereof has been issued by the tax collector.

ARTICLE V - INDEMNITY AND INSURANCE

Section 5.01 - Indemnity: Lessee agrees fully to indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses

incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to any persons or property, caused by the fault or negligence of the Lessee, its subtenants or employees in the use or occupancy of the Premises hereby leased; provided that the Port shall give to the Lessee prompt and reasonable notice of any such claims or actions; and the Lessee shall have the right to investigate, compromise and defend same; provided further such claim is not the result of negligent act of the Port.

Section 5.02 - Insurance:

A. Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers, servants and employees, insuring Lessee against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than One Million and No/100 Dollars (\$1,000,000.00) combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee during the term of the Lease or any renewal thereof.

B. Lessee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

Section 5.03 - Waiver of Subrogation: The Port and Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, where such loss is covered by any valid and collectable insurance policy, is caused by fire, or any of the extended coverage hazards, and arises out of or is connected with the use of the Premises.

Section 5.04 - Damage or Destruction of Premises:

A. If the leased Premises or any improvements thereon, that would revert to the Port per Article VII, are damaged or destroyed by fire or other casualty, Lessee (1) shall promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition preceding the fire or other casualty, and in accordance with the applicable building codes as existed at the time of loss causing such damage or destruction, and (2) shall apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional money of Lessee necessary therefor.

B. If such damage or destruction shall occur during the last three (3) years of the original term of this Lease or during the last year of any extended term thereof, and further if the damage or destruction which occurs during said three (3) year period or last year is such that the cost of repair, rebuilding or restoration of the leased property damaged or destroyed exceeds fifty percent (50%) of the fair market value of the Port-built improvements upon the leased Premises immediately prior to such damage or destruction, Lessee shall have the option to and shall within sixty (60) days from the damage or destruction, notify Port in writing whether or not Lessee elects to repair, rebuild, restore in accordance with Paragraph A above or to terminate this Lease. Upon giving such notice to terminate, this Lease shall terminate on the date specified in the notice and Port shall be entitled to the net proceeds of insurance.

C. If the leased Premises or any improvements thereon, that revert to the Port under Article VII, are damaged or destroyed by fire or other casualty, and Lessee is engaged in the prompt repair, rebuilding or restoration of the property under Paragraph A above, then the rent shall be abated in the same proportion as the damage makes the leased premises uninhabitable for so long as it is unusable.

ARTICLE VI - DEFAULT

Section 6.01 - Events of Default:

A. Default in Rent: Failure of Lessee to pay any rent or other charge within ten (10) days after it is due.

B. Default in Other Covenants: Failure of Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within thirty (30) days after written notice by Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the thirty (30) day period, this provision shall be complied with if Lessee begins correction of the default within the thirty (30) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

C. Insolvency: Insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days.

D. Abandonment: Failure of the Lessee for fifteen (15) days or more to occupy the property for one or more of the purposes permitted under this Lease and payments due under this lease are over thirty (30) days overdue unless such failure is excused under other provisions of this Lease.

Section 6.02 -- Remedies on Default: In the event of a default, the Port at its option may terminate the Lease by notice in writing by certified mail to Lessee. If the property is abandoned by Lessee in connection with a default, termination shall be automatic and without notice.

A. Damages: In the event of termination on default, Port shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term, the following amounts as damages:

1. Any excess of (a) the value of all of Lessee's obligations under this Lease, including the obligation to pay rent, from the date of default until the end of the term, over (b) the reasonable rental value of the property for the same period figured as of the date of default.

2. The reasonable costs of reentry and reletting including without limitation the cost of any clean up, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the Premises upon termination and to leave them in the required condition, any remodeling costs, attorney fees, court costs, broker commissions and advertising cost.
 3. The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.
 4. In no event shall Lessee's duty to pay rent upon the property or improvements thereon continue for a period longer than twenty-four (24) months from the date of termination.
- B. Reentry After Termination: If the Lease is terminated for any reason, Lessee's liability for damages shall survive such termination, and the rights and obligations of the parties shall be as follows:

1. Lessee shall vacate the property immediately, remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the lease term, perform any cleanup, alterations or other work required to leave the property in the condition required at the end of the term, and deliver all keys to the Port.
 2. Port may reenter, take possession of the Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages.
- C. Reletting: Following reentry or abandonment, Port may relet the Premises and in that connection may:
1. Make any suitable alterations or refurbish the Premises, or both, or change the character of use of the Premises, but Port shall not be required to relet for any use or purpose (Other than that specified in the Lease) which Port may reasonably consider injurious to the Premises, or to any tenant which Port may reasonably consider objectionable.
 2. Relet all or part of the Premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any

reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

ARTICLE VII - TERMINATION

Upon termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the leased Premises in good condition. Alterations constructed by the Lessee with permission from the Port shall be removed or restored to the original condition unless the terms of permission for the alteration require other action. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender. The Lessee's obligations under this paragraph shall be subordinate to the provisions of Article V, Section 5.04, related to destruction.

ARTICLE VIII - GENERAL PROVISIONS

Section 8.01 - Assignment of Interest or Rights: Neither Lessee nor any assignee or other successor of Lessee shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Lessee's rights in and to this Lease or any interest therein, nor license or permit the use of the rights herein granted in whole or in part without the prior written consent of the Port, which consent shall not be unreasonably withheld.

Lessee shall not assign all or any part of its rights and interests under this Lease to any successor to its business through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, without prior written approval of the Port, which consent shall not be unreasonably withheld.

Section 8.02 - Condemnation: If the leased Premises or any interest therein is taken as a result of the exercise of the right of eminent domain, this Lease shall terminate as to such portion as may be taken. If the portion taken does not feasibly permit the continuation of the operation of the facility by the Lessee, the Lessee shall have the right to cancel. Such cancellation shall be effective as of the date of taking. Port shall be entitled to that portion of the award as represented by the land and the improvements.

Section 8.03 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

Section 8.04 - Attorney Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 8.05 - Statutory Provisions: This Lease is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which by this reference are incorporated herein as fully as though set forth verbatim.

Section 8.06 - Time of Essence: It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Lease.

Section 8.07 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 8.08 - Consent of Port: Whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval or direction shall be received in writing from the Executive Director of The Port of Portland.

Section 8.09 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, PO Box 3529, Portland, Oregon 97208, and to the Lessee at Controlled Heat Incorporated,

PO Box 1154, Woodinville, WA 98072. Date of service of such notice is date such notice is deposited in a post office of the United States Post Office Department, postage prepaid.

Section 8.10 - Modification: Modification of the Lease as to term, area or any reason shall result in renegotiation of the rental.

Section 8.11 - Fixtures: The Lessee will make no installations, alterations, modification, or additions to said Premises without first obtaining the written consent of the Port and all additions, improvements, and fixtures, except the moveable office furniture and trade fixtures of the Lessee, made or added either by the Lessee or the Port shall be and remain property of the Port; provided, however, the Port may require that the Lessee remove upon termination of this Lease any additions made or fixtures added by the Lessee's expense.

B. The Lessee shall remove any or all fixtures which would otherwise remain the property of the Lessee, and shall repair any physical damage resulting from the removal. If the Lessee fails to remove such fixtures, the Port may do so and charge the cost to the Lessee with interest at ten percent (10%) per annum from the date of expenditure. The Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of the Lessee. If the